

Independent Auditor's Report

To the Members of Bharti Airtel Limited

Report on the Standalone Ind AS financial statements

We have audited the accompanying standalone Ind AS financial statements of Bharti Airtel Limited ("the Company"), which comprise the standalone Balance Sheet as at March 31, 2017, the standalone Statement of Profit and Loss including other comprehensive income, the standalone Cash Flow Statement and standalone Statement of changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (Indian Accounting Standards) Amendment Rules, 2016 issued by Ministry of Corporate Affairs. This responsibility includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, these standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2017, its loss including other comprehensive loss and its cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note 22(i)(f)(v) to the standalone Ind AS financial statements which describes the uncertainties related to the legal outcome of the Department of Telecommunications' demand with respect to One Time Spectrum Charge. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the Annexure 1 a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - (c) The Balance Sheet, Statement of Profit and Loss including the Statement of Other Comprehensive

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Income, the Cash Flow Statement and Statement of Changes in Equity dealt with by this Report are in agreement with the books of account;

- (d) In our opinion, these standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and the Companies (Indian Accounting Standards) Amendment Rules, 2016 issued by Ministry of Corporate Affairs;
- (e) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of Section 164 (2) of the Act;
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report dated May 9, 2017 in "Annexure 2" to this report;
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 and Companies (Audit and Auditors) Amendment Rules, 2017, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer 19 to the standalone Ind AS financial statements;

- ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts – Refer Note 9 to the standalone Ind AS financial statements;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company;
- iv. The Company has provided requisite disclosures in Note 15 to these standalone Ind AS financial statements as to the holding of Specified Bank Notes on November 8, 2016 and December 30, 2016 as well as dealings in Specified Bank Notes during the period from November 8, 2016 to December 30, 2016. Based on our audit procedures and relying on the management representation regarding the holding and nature of cash transactions, including Specified Bank Notes, we report that these disclosures are in accordance with the books of accounts maintained by the Company and as produced to us by the Management.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W / E300004

per Nilangshu Katriar
Partner
Membership No: 58814

Place: New Delhi
Date: May 9, 2017

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Annexure 1

Annexure referred to in paragraph 1 of 'Report on other Legal and Regulatory Requirements'

Re: [BHARTI AIRTEL LIMITED] ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars with respect to most of its fixed assets, and is in the process of updating quantitative and situation details with respect to certain fixed assets in the records maintained by the Company.
- (b) The capitalised fixed assets are physically verified by the management according to a regular programme designed to cover all the items over a period of three years. Pursuant to the planned programme during the year, a substantial portion of fixed assets and capital work in progress has been physically verified by the management during the year, which in our opinion is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noted on such verification.
- (c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, the title deeds of immovable properties included in property, plant and equipment are held in the name of the Company.
- (ii) The management has conducted physical verification of inventory (other than inventory with third parties) at reasonable intervals during the year and no material discrepancies were noticed on such physical verification.
- (iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, limited liability partnership firm or other parties covered in the register maintained under Section 189 of the Companies Act, 2013. Accordingly, the

provision of clause 3(iii)(a), (b) and (c) of the Order are not applicable to the Company and hence not commented upon.

- (iv) In our opinion and according to the information and explanations given to us, there are no loans, investments, guarantees, and securities granted in respect of which provisions of Section 185 and 186 of the Companies Act, 2013 are applicable and hence not commented upon.
- (v) The Company has not accepted any deposits from the public.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 148(1) of the Companies Act, 2013, related to the service of telecommunication and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of records with a view to determine whether they are accurate or complete.
- (vii) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, value added tax, cess and other material statutory dues applicable to it. The provisions relating to duty of excise are not applicable to the Company.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, value added tax, cess and other material undisputed statutory dues were outstanding, as at the year end, for a period of more than six months from the date they became payable.

- (b) According to the records of the Company, the dues outstanding of income-tax, sales-tax, service tax, duty of customs, value added tax and cess on account of any dispute, are as follows:

Name of Statutes	Nature of the Dues	Amount Disputed (In ₹ Mn)	Period to Which It Relates	Forum where The Dispute Is Pending
Andhra Pradesh Value Added Tax Act, 2005	Sales Tax	87	2004-13	Tribunal
Bihar Value Added Tax Act, 2005	Sales Tax	58	2005-10	Tribunal
Bihar Value Added Tax Act, 2005	Sales Tax	0	2015-16	Assistant Commissioner
Bihar Value Added Tax Act, 2005	Sales Tax	82	2010-15	Joint Commissioner, Appeal
Bihar Value Added Tax Act, 2005	Sales Tax	2	2006-07	Commercial Tax Officer
Bihar Value Added Tax Act, 2005	Sales Tax	1	2016-17	Deputy Commissioner
Chhattisgarh Value Added Tax Act, 2003	Sales Tax	0	2005-07	Assistant Commissioner
Gujarat Value Added Tax Act, 2003	Sales Tax	1	2005-07	Assistant Commissioner
J&K General Sales Tax	Sales Tax	34	2004-07	High Court, Jammu & Kashmir
Karnataka VAT Act, 2003	Sales Tax	291	2005-06	Assistant Commissioner
Karnataka VAT Act, 2003	Sales Tax	2	2016-17	Joint Commissioner
Kerala Sales Tax Act	Sales Tax	1	2002-05	Tribunal
Kerala Sales Tax Act	Sales Tax	0	2005-11	Commercial tax Officer
Kerala Sales Tax Act	Sales Tax	16	2005-10	Deputy Commissioner, Appeal
Kerala Sales Tax Act	Sales Tax	0	2008-10	Intelligence Officer Squad
Kerala Value Added Tax Act, 2003	Sales Tax	71	2006-07	High Court of Kerala

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Name of Statutes	Nature of the Dues	Amount Disputed (In ₹ Mn)	Period to Which It Relates	Forum where The Dispute Is Pending
Kerala Value Added Tax Act, 2003	Sales Tax	44	2007-12	Asst. Commissioner, Spl Circle III, Ernakulam
Kerala Value Added Tax Act, 2003	Sales Tax	0	2016-17	Intelligence Officer, Ernakulam
Kerala Value Added Tax Act, 2003	Sales Tax	0	2015-16	Intelligence Inspector, Squad No. I, Tellichery
Kerala Value Added Tax Act, 2003	Sales Tax	0	2015-16	Intelligence Inspector, Squad No. 3, Ernakulam
Kerala Value Added Tax Act, 2003	Sales Tax	1	2005-17	Commercial tax Officer
Madhya Pradesh Value Added Tax Act, 2002	Sales Tax	24	2006-13	Tribunal
Madhya Pradesh Value Added Tax Act, 2002	Sales Tax	22	1997-04	Deputy Commissioner, Appeal
Madhya Pradesh Value Added Tax Act, 2002	Sales Tax	1	2008-10	Deputy Commissioner
Madhya Pradesh Value Added Tax Act, 2002	Sales Tax	0	2004-08	Commercial Tax Officer
Maharashtra Sales Tax Act	Sales Tax	0	2003-04	Joint Commissioner, Appeal
Punjab Value Added Tax Act, 2005	Sales Tax	30	2003-04	High Court
Punjab Value Added Tax Act, 2005	Sales Tax	1	2008-10	Tribunal
Punjab Value Added Tax Act, 2005	Sales Tax	1	2002-03	Jt. Director(Enforcement)
Punjab Value Added Tax Act, 2005	Sales Tax	1	2009-16	Deputy Excise and Taxation Commissioner
UP Value Added Tax Act	Sales Tax	6	2008-10	High court
UP Value Added Tax Act	Sales Tax	21	2002-05	Assistant Commissioner
UP Value Added Tax Act	Sales Tax	9	2005-10	Tribunal
UP Value Added Tax Act	Sales Tax	1	2007-08	Joint Commissioner
UP Value Added Tax Act	Sales Tax	2	2003-10	Joint Commissioner, Appeal
UP Value Added Tax Act	Sales Tax	2	2014-16	Additional Commissioner
UP Value Added Tax Act	Sales Tax	9	2003-17	Deputy Commissioner
UP Value Added Tax Act	Sales Tax	11	2005-13	Assessing officer
Uttarakhand Value Added Tax Act, 2005	Sales Tax	0	2013-14	AO
West Bengal Value Added Tax Act, 2003	Sales Tax	3	1997-12	Tribunal
West Bengal Value Added Tax Act, 2003	Sales Tax	0	1996-97	The Deputy Commissioner of Commercial Taxes
West Bengal Value Added Tax Act, 2003	Sales Tax	0	1995-98	Commercial Tax Officer
West Bengal Value Added Tax Act, 2003	Sales Tax	9	2005-06	Revision Board
Sub Total (A)		844		
Finance Act, 1994 (Service tax provisions)	Service Tax	278	1995-08	Supreme Court
Finance Act, 1994 (Service tax provisions)	Service Tax	7	2002-07	High court
Finance Act, 1994 (Service tax provisions)	Service Tax	9,966	1995-12	Tribunal
Finance Act, 1994 (Service tax provisions)	Service Tax	7	1999-16	Commissioner Adjudication
Finance Act, 1994 (Service tax provisions)	Service Tax	19	2003-10	Commissioner Appeal
Finance Act, 1994 (Service tax provisions)	Service Tax	382	2003-13	Commissioner of Service Tax
Sub Total (B)		10,659		
Income Tax Act, 1961	Income Tax	128	2001-03, 2004-08	Supreme Court
Income Tax Act, 1961	Income Tax	10,622	1996-97, 2003-10	High Court
Income Tax Act, 1961	Income Tax	31,580	1995-2011	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	2,882	1998-2015	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	16	1994-95, 1996-98, 2004-16	Assessing Officer
Sub Total (C)		45,228		
Custom Act, 1962	Custom Act	4,128	2001-05	Supreme Court
Custom Act, 1962	Custom Act	189	2003-12	Tribunal
Sub Total (D)		4,317		
Grand Total:		61,048		

The above mentioned figures represent the total disputed cases without any assessment of Probable, Possible and Remote, as done in case of Contingent Liabilities. Of the above cases, total amount deposited in respect of Sales Tax is ₹302 Mn, Service Tax is ₹452 Mn, Income Tax is ₹11,056 Mn and Custom Duty is ₹2,141 Mn.

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- (viii) Based on our audit procedures for the purpose of reporting the true and fair view of the financial statements and according to information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank, debenture holders or government.
- (ix) In our opinion and according to information and explanations given by the management, monies raised by the company by way of term loans were applied for the purpose for which they were raised.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or on the company by the officers and employees of the Company has been noticed or reported during the year.
- (xi) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that the managerial remuneration has been paid / provided in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013.
- (xii) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 3(xi) of the order are not applicable to the Company and hence not commented upon.
- (xiii) Based on our audit procedures performed for the purpose of reporting the true and fair view of the

financial statements and according to the information and explanations given by the management, transactions with the related parties are in compliance with Section 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the notes to the financial statements, as required by the applicable accounting standards.

- (xiv) According to the information and explanations given to us and on an overall examination of the balance sheet, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and hence not commented upon.
- (xv) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, the Company has not entered into any non-cash transactions with directors or persons connected with him.
- (xvi) According to the information and explanations given to us, the provisions of Section 45-IA of the Reserve Bank of India Act, 1934 are not applicable to the Company.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W / E300004

per Nilangshu Katriar
Partner
Membership No: 58814

Place: New Delhi
Date: May 9, 2017

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Annexure 2 To the Independent Auditor's Report of even date on the standalone Ind AS financial statements of Bharti Airtel Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

To the Members of Bharti Airtel Limited

We have audited the internal financial controls over financial reporting of Bharti Airtel Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For S. R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration No: 101049W / E300004

per Nilangshu Katriar
Partner
Membership No: 58814

Place: New Delhi
Date: May 9, 2017