

# Independent Auditor's Report

To the members of

**BHARTI AIRTEL LIMITED**

## Report on the Standalone Financial Statements

We have audited the accompanying Standalone Financial Statements of **BHARTI AIRTEL LIMITED** ("the Company"), which comprise the Standalone Balance Sheet as at March 31, 2018, the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Cash Flows and the Standalone Statement of Changes in Equity for the year ended on that date and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "Standalone Financial Statements").

## Management's Responsibility for the Standalone 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 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 the Indian Accounting Standards (Ind AS) prescribed under section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Standalone 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 Financial Statements based on our audit.

In conducting 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 and the Order issued under section 143(11) of the Act.

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing 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 the Standalone Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the Standalone Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Standalone 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 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 the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the Standalone Financial Statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the Standalone Financial Statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Standalone 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 Ind AS and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2018, its profit, total comprehensive income, changes in equity and its cash flows for the year ended on that date.

## Emphasis of Matter

We draw attention to Note 23(i)(f)(v) to the Standalone Financial Statements which describes the uncertainties related to the legal outcome of Department of Telecommunications demand with respect to one time spectrum charges.

Our opinion is not modified in respect of this matter.

## Other Matter

The comparative financial information of the Company for the year ended March 31, 2017 prepared in accordance with Ind AS included in these Standalone Financial Statements have been audited by the predecessor auditor. The report of the predecessor auditor on comparative financial statements for the year ended and as at March 31, 2017 dated May 9, 2017 expressed an unqualified opinion. Our opinion is not modified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit 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 purposes 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 Standalone Balance Sheet, the Standalone Statement of Profit and Loss including Other Comprehensive Income, the Standalone Statement of Cash Flows and Standalone Statement of Changes in Equity dealt with by this Report are in agreement with the books of account.
  - d) In our opinion, the aforesaid standalone financial statements comply with the Indian Accounting Standards prescribed under section 133 of the Act.
  - e) On the basis of the written representations received from the directors of the Company as on 31st March, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

- 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, as amended, 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 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.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
2. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government in terms of Section 143(11) of the Act, we give in "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Hemant M. Joshi**  
Partner  
(Membership No. 38019)

Place: New Delhi  
Date: April 24, 2018

# Annexure “A” to the Independent Auditor’s Report

**(Referred to in paragraph 1 (f) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)**

## **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)**

We have audited the internal financial controls over financial reporting of Bharti Airtel Limited (“the Company”) as of March 31, 2018 in conjunction with our audit of the Standalone 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 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 Companies Act, 2013.

### **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”) issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 Company’s 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, to the best of our information and according to the explanations given to us 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, 2018 , based on the criteria for internal control over financial reporting 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 **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

(Firm's Registration No.117366W/W-100018)

**Hemant M. Joshi**

Partner

(Membership No. 38019)

Place: New Delhi

Date: April 24, 2018

## Annexure “B” to the Independent Auditor’s Report

**(Referred to in paragraph 2 under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date)**

- i. In respect of its fixed assets:
- 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 Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
  - c) According to the information and explanations given to us, the records examined by us and based on examination of property tax receipts, utility bills, lease agreement for land on which building is constructed, registered sale deed / transfer deed / conveyance deed or court orders approving schemes of arrangements / amalgamations provided to us, we report that, the title in respect of self-constructed buildings and the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date.
- In respect of immovable properties that have been taken on lease and disclosed as property, plant and equipment in the financial statements, based on our examination of the lease agreements or court orders approving the schemes of arrangement or amalgamations, we report that the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- ii. As explained to us, the inventories, except for those lying with the third parties, were physically verified during the year by the Management at reasonable intervals and no material discrepancies were noticed on physical verification.
- iii. According to information and explanation given to us, the Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.
- 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.
- v. According to the information and explanations given to us, the Company has not accepted deposits during the year and does not have any unclaimed deposits as at March 31, 2018 and therefore, the provisions of the clause 3 (v) of the Order are not applicable.
- vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company is regular in depositing undisputed statutory dues, including Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Service Tax, Goods and Services Tax, Customs Duty, Value Added Tax, cess and other material statutory dues applicable to it to the appropriate authorities. As explained to us, the provisions relating to duty of excise are not applicable to the Company.
  - (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Sales Tax, Value Added Tax, Service Tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2018 for a period of more than six months from the date they became payable.
  - (c) There are no dues of Goods and Service Tax, cess which have not been deposited on account of any dispute. Details of dues of Income-tax, Sales Tax, Value Added Tax, Service Tax and Customs Duty which have not been deposited as on March 31, 2018 on account of disputes are given below:

Name of the Statutes	Nature of the Dues	Amount Disputed (in ₹ Million)	Period to Which the amount Relates	Forum where the dispute is pending
Andhra Pradesh VAT Act, 2005	Sales Tax	87	2004-13	Tribunal
Andhra Pradesh VAT Act, 2005	Sales Tax	52	2013-15	Deputy Commissioner (Appeals)
Bihar VAT Act, 2005	Sales Tax	0*	2015-16	Assistant Commissioner
Bihar VAT Act, 2005	Sales Tax	2	2006-07	Commercial Tax Officer
Bihar VAT Act, 2005	Sales Tax	1	2016-17	Deputy Commissioner
Bihar VAT Act, 2005	Sales Tax	22	2015-17	Joint Commissioner (Appeal)
Bihar VAT Act, 2005	Sales Tax	139	2005-15	Tribunal
Chhattisgarh VAT Act, 2003	Sales Tax	0*	2006-07	Assistant Commissioner
Delhi VAT Act, 2004	Sales Tax	6	2011-14	Assistant Commissioner
The Gujarat VAT Act, 2003	Sales Tax	1	2005-07	Assistant Commissioner
The Karnataka VAT Act, 2003	Sales Tax	291	2005-06	Assistant Commissioner
The Karnataka VAT Act, 2003	Sales Tax	0*	2012-13	Deputy Commissioner
The Karnataka VAT Act, 2003	Sales Tax	2	2016-17	Joint Commissioner (Appeal)
The Kerala VAT Act, 2003	Sales Tax	1	2005-17	Commercial Tax Officer
The Kerala VAT Act, 2003	Sales Tax	0*	2016-17	Intelligence Officer Ernakulum
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 Sales Tax Act	Sales Tax	1	2002-05	Tribunal
The Kerala VAT Act, 2003	Sales Tax	71	2006-07	High Court of Kerala
The Kerala VAT Act, 2003	Sales Tax	44	2007-12	Asst. Commissioner, Spl Circle III, Ernakulam
The Kerala VAT Act, 2003	Sales Tax	0*	2015-16	Intelligence Inspector, Squad No. I, Tellichery
The Kerala VAT Act, 2003	Sales Tax	0*	2015-16	Intelligence Inspector, Squad No. 3, Ernakulam
The Madhya Pradesh VAT Act, 2002	Sales Tax	7	2008-10,2012-13	Tribunal
The Madhya Pradesh VAT Act, 2002	Sales Tax	0*	2004-08	Commercial Tax Officer
The Madhya Pradesh VAT Act, 2002	Sales Tax	1	2008-10	Deputy Commissioner
The Madhya Pradesh VAT Act, 2002	Sales Tax	22	1997-04	Deputy Commissioner, Appeal
The Madhya Pradesh VAT Act, 2002	Sales Tax	0*	2005-06	Assistant Commissioner
The Maharashtra VAT Act, 2002	Sales Tax	0*	2003-04	Joint Commissioner, Appeal
Punjab VAT Act, 2005	Sales Tax	1	2009-17	Deputy Excise and Taxation Commissioner
Punjab VAT Act, 2005	Sales Tax	30	2003-04	High Court
Punjab VAT Act, 2005	Sales Tax	1	2002-03	Jt. Director( Enforcement)
Punjab VAT Act, 2005	Sales Tax	1	2008-10	Tribunal
Rajasthan VAT Act, 2003	Sales Tax	2	2015-16	Commercial Tax Officer
The Tamil Nadu VAT Act, 2003	Sales Tax	0*	2010-11	Deputy Commissioner

<b>Name of the Statutes</b>	<b>Nature of the Dues</b>	<b>Amount Disputed (in ₹ Million)</b>	<b>Period to Which the amount Relates</b>	<b>Forum where the dispute is pending</b>
The Uttar Pradesh VAT Act, 2008	Sales Tax	11	2005-13	Assessing officer
The Uttar Pradesh VAT Act, 2008	Sales Tax	21	2002-05	Assistant Commissioner
The Uttar Pradesh VAT Act, 2008	Sales Tax	0*	2017-18	Commercial Tax Officer
The Uttar Pradesh VAT Act, 2008	Sales Tax	1	2007-08	Joint Commissioner
The Uttar Pradesh VAT Act, 2008	Sales Tax	6	2008-10	High court
The Uttar Pradesh VAT Act, 2008	Sales Tax	2	2003-10	Joint Commissioner, Appeal
The Uttar Pradesh VAT Act, 2008	Sales Tax	9	2005-13	Tribunal
The Uttar Pradesh VAT Act, 2008	Sales Tax	1	2015-16	Additional Commissioner
The Uttar Pradesh VAT Act, 2008	Sales Tax	9	2003-17	Deputy Commissioner
The West Bengal VAT Act, 2003	Sales Tax	0*	1996-97	The Deputy Commissioner of Commercial Taxes
The West Bengal VAT Act, 2003	Sales Tax	0*	1995-98	Commercial Tax Officer
The West Bengal VAT Act, 2003	Sales Tax	9	2005-06	Revision Board
The West Bengal VAT Act, 2003	Sales Tax	3	1997-12	Tribunal
<b>Sub Total (A)</b>		<b>877</b>		
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	7,226	1995-16	Tribunal
Finance Act, 1994 (Service tax provisions )	Service Tax	571	1999-13	Commissioner of Service Tax
<b>Sub Total (B)</b>		<b>8,082</b>		
Custom Act, 1962	Custom Act	4,128	2001-05	Supreme Court
Custom Act, 1962	Custom Act	755	2003-15	Tribunal
<b>Sub Total (C)</b>		<b>4,883</b>		
Income Tax Act, 1961	Income Tax	128	2001-03, 2004-08	Supreme Court
Income Tax Act, 1961	Income Tax	10,519	1996-97, 2003-10	High Court
Income Tax Act, 1961	Income Tax	24,338	1995-2015	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	607	1998-2015	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	638	1996-97; 2004-17	Assessing Officer
<b>Sub Total (D)</b>		<b>36,230</b>		
<b>Grand Total(A+B+C+D):</b>		<b>50,071</b>		

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 327 Mn, Service Tax is 472 Mn, Income Tax is 10,968 Mn and Custom Duty is 2,141 Mn.

\* Amount less than million are appearing as '0'.

- viii. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and government and dues to debenture holders.
- ix. During the current year, the Company has not raised moneys by way of initial public offer or further public offer (including debt instruments). In our opinion and according to the information and explanations given to us, the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.
- x. To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- xi. In our opinion and according to the information and explanations given to us, the Company has paid / provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Companies Act, 2013, except that the commission of ₹ 67.64 million to non-executive directors is in excess by ₹ 33.12 million, basis the lower limits approved by the Shareholders of the Company. As informed, the Company would be seeking Shareholders' approval for the said excess amount at the ensuing Annual General Meeting.
- xii. The Company is not a Nidhi Company and hence reporting under clause 3 (xii) of the Order is not applicable.
- xiii. In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- xiv. During the year the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures and hence reporting under clause 3 (xiv) of the Order is not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding company, directors of subsidiary company or directors of associate company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For **DELOITTE HASKINS & SELLS LLP**  
Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Hemant M. Joshi**  
Partner  
(Membership No. 38019)

Place: New Delhi  
Date: April 24, 2018