

# INDEPENDENT AUDITOR'S REPORT

TO  
THE MEMBERS OF **BHARTI AIRTEL LIMITED**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying Standalone Financial Statements of **BHARTI AIRTEL LIMITED** ("the Company"), which comprise the Standalone Balance Sheet as at March 31, 2020, and the Standalone Statement of Profit and Loss (including Other Comprehensive Income), the Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the Standalone Financial Statements").

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 Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, and its loss, total comprehensive loss, the changes in equity and its cash flows for the year ended on that date.

### Basis for Opinion

We conducted our audit of the Standalone Financial Statements in accordance with the Standards on Auditing specified under section 143(10) of the Act ("SAs"). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ("ICAI") together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. 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.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Standalone Financial Statements of the current period. These matters were addressed in the context of our audit of the Standalone Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

### Sr. No. Key Audit Matter

### Auditor's Response

#### 1 Revenue from operations:

#### Principal Audit Procedures

There is an inherent risk around accuracy of revenue recorded in respect of Mobile Services and Airtel Business segments because of the complexity of the IT systems and other support systems, significance of volumes of data processed by the systems and the impact of changing pricing models (tariff structures, incentive arrangements and discounts, etc.). In addition, for Airtel Business, we considered occurrence of revenue as a risk due to the possibility that revenue may be recorded without active service links being provided to customers or for contracts that are cancelled/not renewed.

We evaluated the design and tested the operating effectiveness of the general IT controls and application specific controls within the IT system, including testing of system generated reports used in our audit of revenues by involving our IT specialist. We also tested the controls within the billing systems, prepaid charging systems, capturing and recording of revenue, authorisation and input of changes to the IT systems and over reconciliations performed between the active customers base with billing system.

Refer note 2.19 "Revenue recognition" for accounting policies, note 3.2.d 'Revenue recognition and presentation' under the head 'Critical judgements in applying the Company's accounting policies' and note 23 on disclosures related to Revenue from operations in the Standalone Financial Statements.

We performed substantive procedures, which included testing the accuracy of customer invoices and tracing receipts to customer invoices, comparing the number of links/connection as per the active customer base to the billing system, testing reconciliations between billing system and the general ledger (including validation of relevant journal entries), making test calls and testing whether they are rated correctly and analytical procedures for relevant segment revenue.

We verified the appropriateness of the accounting policies and the disclosures related to Revenue from operations in notes 2.19, 3.2.d and 23 respectively in the Standalone Financial Statements.

Sr. No. Key Audit Matter	Auditor's Response
<p><b>2 Determination of additional provision for License fees and Spectrum Usage Charges along with interest, penalty and interest on penalty pursuant to Supreme Court judgement on Adjusted Gross Revenue</b></p> <p>Consequent to a Judgement of the Hon'ble Supreme Court of India on October 24, 2019 in relation to a long outstanding industry-wise case upholding the view of the Department of Telecommunications ('DoT') in respect to the definition of Adjusted Gross Revenue (AGR) (the Court Judgement), the Company recorded additional provisions for periods upto September 2019 of Rs. 56,530 million towards License fee and Spectrum Usage Charges (SUC), and Rs. 228,448 million towards applicable interest, penalty and interest on penalty and disclosed the same as an Exceptional Item in the Statement of Profit and Loss.</p> <p>The Company computed and recorded the additional provision on the basis of (1) demands received and (2) the periods for which demands have not been received by following the same methodology used in the assessments carried out in earlier years, the guidelines/clarifications provided by DoT, and the principles set out in the Court Judgement. The additional provision, apart from having a significant impact, also involves significant management judgment in its computation.</p> <p>Refer notes 4(i) and 30(i)(a) to the Standalone Financial Statements for disclosures related to License fees and SUC.</p>	<p><b>Principal Audit Procedures</b></p> <p>We tested the effectiveness of the controls over determining the additional provision for License fees and SUC.</p> <p>We also tested the appropriateness of the additional provision for Licenses fees and SUC by (1) Reading the License Agreements, the Court Judgement, demand orders and the guidelines/clarifications provided by DoT and comparing them to the assumptions used in the management's estimate in determining the provisions for years for which demands from DoT has been received and (2) Testing that the assumptions and methodology used in computing the provisions for the years for which demands are not received is consistent with the methodology adopted in (1) above.</p> <p>We evaluated the disclosures provided in the notes 4(i) and 30(i) (a) to the Standalone Financial Statements concerning this matter.</p>
<p><b>3 Measurement of the Right-of-use assets and Lease liabilities in leases with tower infrastructure companies under Ind AS 116 -Leases:</b></p> <p>The Company adopted Ind AS 116 "Leases" using the modified retrospective approach with effect from April 1, 2019.</p> <p>The measurement of Right-of-use assets and lease liabilities in leases with tower infrastructure companies involves significant management estimates (a) in determination of lease term (b) in segregating the lease and non-lease components payable under the contractual arrangements and; (c) in determination of incremental borrowing rate used in discounting lease payments.</p> <p>Refer note 2.11 "Leases" for accounting policies, notes 3.2.a, 3.2.b and 3.2.c relating to 'Separating lease and non-lease components', 'Determining the lease term' and 'Determining the incremental borrowing rate for lease contracts' respectively under the head 'Critical judgements in applying the Company's accounting policies', and note 34 'Leases' on disclosures related to leases in the Standalone Financial Statements.</p>	<p><b>Principal Audit Procedures</b></p> <p>We evaluated the effectiveness of internal controls relating to the determination of lease term, segregation of lease and non-lease components and determination of incremental borrowing rate.</p> <p>For a sample of lease contracts ("contracts"), we performed the following substantive audit procedures:</p> <ul style="list-style-type: none"> <li>We read the underlying contract, and compared relevant terms within the contract to the Company's determination of lease term analysis including the appropriateness of considering lease term as the period until which exit penalties are payable as per the contract.</li> <li>We tested the relative standalone selling prices computed by management and used in the allocation of consideration to the lease and non-lease components in a contract by using the same information and details obtained by management from tower infrastructure service providers.</li> </ul> <p>We tested the appropriates of the incremental borrowing rate (IBR) by involving our valuation specialist, who assisted in:</p> <ul style="list-style-type: none"> <li>Performing an independent assessment of the methodology used by the Company to estimate the IBR;</li> <li>Evaluating the Company's assumptions underlying the estimation of the IBR; and</li> <li>Developing an independent acceptable range for the IBR and comparing the results to the Company's IBR.</li> </ul>

Sr. No. Key Audit Matter	Auditor's Response
<p>4 <b>Impairment of investment in a subsidiary, Bharti Infratel Limited (“BIL”)</b></p> <p>As at April 01, 2019, the carrying value of investment in Bharti Infratel Limited (‘BIL’) was Rs. 227,516 million. During the year, the Company recorded an impairment aggregating to Rs. 62,978 million, disclosed as an exceptional item, resulting in a carrying value of Rs. 164,538 million as at March 31, 2020.</p> <p>The recoverable amount of BIL was determined to be higher of Value in use and Fair value less costs to sell.</p> <p>The determination of the recoverable amounts includes assumptions relating to cash flow projections, discount rates, terminal growth rates and control premiums which involves significant management judgement and is based on unobservable inputs.</p> <p>Refer note 2.10.a for policy on “Recognition, classification and presentation” of financial instruments, note 3.1.b ‘Impairment reviews’ under the head “Key sources of estimation uncertainties”, note 7 “Investments” for disclosures related to details of Investments and impairment test for investment in a subsidiary, and note 30(i)(d) relating to Exceptional items in the standalone financial statements.</p>	<p><b>Principal Audit Procedures</b></p> <p>We tested the effectiveness of internal controls related to the Company’s evaluation of BIL’s financial projection using the income approach and Company’s determination of the market approach. These procedures also included, among others, testing controls related to the review and approval of the key assumptions prepared by the Company, testing the completeness, accuracy, and relevance of the underlying data used in the models and evaluating the significant assumptions used by management, including the revenue growth rates, EBITDA margins, discount rate, terminal growth rate and control premium selections.</p> <p>With the assistance of our fair value specialists, who have specialized skill and knowledge, we evaluated appropriateness of the models and inputs used in the impairment analysis basis market approach and appropriateness of key assumptions used in the value in use calculations such as projected revenue growth rates, EBITDA margins, discount rates, and terminal growth rates and compared these key assumptions for consistency to internal and external available data and information, including historical performance.</p>
<p>5 <b>Assessment of recoverability relating to Deferred tax assets (‘DTA’) recognized on carry forward losses and Minimum Alternate Tax credit (MAT)</b></p> <p>The Company has recognised Rs. 269,151 as DTA, as at March 31, 2020, relating to carry forward losses and MAT credit.</p> <p>The Company exercises significant judgement in assessing the recoverability of DTA relating to these items. In estimating the recoverability of DTA, management uses inputs such as internal business and tax projections over a 10 year period.</p> <p>Recoverability of DTA on carry forward losses and MAT credit is sensitive to the assumptions used by management in projecting the future taxable income, the reversal of deferred tax liabilities which can be scheduled, and tax planning strategies.</p> <p>Refer note 2.12 “Taxes” for accounting policies, note 3.1.c ‘Taxes’ under the head “Key sources of estimation uncertainties”, and note 11 “Income taxes” for disclosures related to taxes in the standalone financial statements.</p>	<p><b>Principal Audit Procedures</b></p> <p>We tested effectiveness of controls over the Company’s process for determining the recoverability of the DTA relating to carry forward losses and MAT credit which included amongst others controls over the over the assumptions and judgments used in the projections of future taxable income.</p> <p>To assess the Company’s ability to estimate future taxable income, we compared the Company’s previous forecasts to actual results.</p> <p>We involved our tax professionals with specialized skills and knowledge to assist in evaluating taxation related matters including the Company’s tax planning strategies and interpretation of tax laws.</p> <p>We examined the consistency between the financial plan used for goodwill impairment assessment purposes and the plan used in the evaluation of the recoverability of the DTA.</p> <p>We performed a sensitivity analysis over the key assumptions to assess their impact on the Company’s determination that the DTA relating to carry forward losses and MAT credit were realizable.</p>

Sr. No. Key Audit Matter	Auditor's Response
<p>6 <b>Contingent liabilities and commitments - Contingencies related to Regulatory, Direct and Indirect tax matters</b></p> <p>The Company has material contingencies related to Regulatory, Direct and Indirect tax matters which are under dispute with various authorities as more fully described in Note 22.a to the Standalone financial statements. The Company exercises significant judgment to determine the possible outcome of these disputes. Thereafter the Company makes a determination for recording/write back of provisions or alternatively disclosing them as contingencies unless the matters are considered as remote.</p> <p>Refer Note 2.18 "Contingencies" for accounting policies, 3.1.e 'Contingent liabilities and provisions' under the head "Key sources of estimation uncertainties", Note 19 "Provisions" for disclosure related to provisions for subjudice matters, and Note 22.a in respect of details of Contingent liabilities in the standalone financial statements.</p>	<p><b>Principal Audit Procedures:</b></p> <p>We tested the effectiveness of internal controls related to:</p> <p>(1) identification and recognition of liability for matters under review or appeal with relevant regulatory, direct and indirect tax authorities;</p> <p>(2) completeness and accuracy of the underlying data used in the assessment and evaluating the assumptions used by management when determining its uncertain positions, the status of past audits and investigations, and the potential impact of past claims.</p> <p>(3) Management's assessment and interpretation of applicable laws including tax laws and its evaluation of which uncertain positions may not be sustained upon audit and controls over measurement of the liability.</p> <p>For direct and indirect tax matters, we involved our tax specialists who assisted in evaluating the reasonableness of management's assessments by comparing the positions taken by management with tax regulations and past decisions from tax authorities, recent developments, new information and where applicable, evaluating opinions from the Company's external tax advisors.</p> <p>For regulatory matters in progress, we assessed relevant regulatory orders, regulatory statutes and interpretations, recent developments, new information, external legal opinion obtained by the Company, if any, and other publicly available information to evaluate the likelihood of matters under dispute and compared that to management's assertion on these matters.</p> <p>We also evaluated the disclosures provided in the notes to the standalone financial statements concerning these matters.</p>

### Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the Management Discussion and Analysis, Board's Report including Annexures to the Board's Report, Business Responsibility Report and Corporate Governance, but does not include the Consolidated Financial Statements, Standalone Financial Statements and our auditor's reports thereon.

Our opinion on the Standalone Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Standalone Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Standalone Financial Statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### 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 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, changes in equity and cash flows of the Company in accordance with the Ind AS 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 Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Standalone Financial Statements, management is responsible for assessing the Company's

ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibility for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the Standalone Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Standalone Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Standalone Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's

report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Standalone Financial Statements, including the disclosures, and whether the Standalone Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Standalone Financial Statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Standalone Financial Statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Standalone Financial Statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Standalone Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **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, Standalone Statement of Changes in Equity and the Standalone Statement of Cash Flows dealt with by this Report are in agreement with the books of account.

- d) In our opinion, the aforesaid Standalone Financial Statements comply with Ind AS specified under Section 133 of the Act.
- e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 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 the requirements of section 197(16) of the Act, as amended,

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- h) 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)

**Shyamak R Tata**

Partner

(Membership No. 38320)

UDIN: 20038320AAAAAE7099

Place: Mumbai

Date: May 18, 2020

# 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 to the member of Bharti Airtel Limited 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, 2020 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 (“the Guidance Note”). 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 (“the Act”).

## **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note 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 unauthorized 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, 2020, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note.

For **DELOITTE HASKINS & SELLS LLP**

Chartered Accountants

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

**Shyamak R Tata**

Partner

(Membership No. 38320)

Place: Mumbai

Date: May 18, 2020

UDIN: 20038320AAAAAE7099

# 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 to the Members of Bharti Airtel Limited of even date)

- i. In respect of Company’s 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, except for customer premises equipment and certain assets which due to their nature or location are not verifiable, 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 and forming part of fixed assets, are held in the name of the Company as at the balance sheet date, except the following:

Nature of Asset	Number of Cases	Gross Block (Rs. in Million)	Net Block (Rs. in Million)	Remarks
Land	2	2,630	2,630	The ownership of these properties is transferred and vested in the Company through merger scheme of relevant consumer mobile businesses of Tata Teleservices Limited as per the Scheme of arrangement under section 230 to section 232 of the Companies Act, 2013 approved by National Company Law Tribunal. The titles are pending mutation in the name of the Company.
Building	3	235	226	

- 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, 2020 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, Goods and Services Tax, Customs Duty, cess and other material statutory dues applicable to it to the appropriate authorities.
- (b) There were no undisputed amounts payable in respect of Provident Fund, Employees’ State Insurance, Income-tax, Goods and Services Tax, Customs Duty, cess and other material statutory dues in arrears as at March 31, 2020 for a period of more than six months from the date they became payable.

(c) Details of dues of Income-tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax and Goods and Service Tax which have not been deposited as on March 31, 2020 on account of disputes are given below:

Name of the Statutes	Nature of the Dues	Amount Disputed (Rs. in Million)	Period to Which Case Pertains	Forum where the dispute is pending
Income Tax Act, 1961	Income Tax	221	1999-00, 2001-02, 2002-09	Supreme Court
Income Tax Act, 1961	Income Tax	23,255	2004-05, 2006-09, 2001-02, 2004-10	High Court
Income Tax Act, 1961	Income Tax	6,429	2003-04, 2014-15, 2005-15	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	731	2009-12, 2003-10, 2013-14	Commissioner of Income Tax
Income Tax Act, 1961	Income Tax	942	1996-97, 2005-06, 2003-10, 2011-14	Assessing Officer
<b>Sub Total (A)</b>		<b>31,578</b>		
Andhra Pradesh VAT Act, 2005	Sales Tax	158	2004-18	Tribunal
Bihar VAT Act, 2005	Sales Tax	0	2015-16	Assistant Commissioner
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	0	2012-13	Additional Commissioner
Delhi VAT Act, 2004	Sales Tax	6	2011-14	Assistant Commissioner
The Gujarat VAT Act, 2003	Sales Tax	1	2005-07	Deputy Commissioner (Appeals)
The Karnataka VAT Act, 2003	Sales Tax	291	2005-06	Supreme Court
The Karnataka VAT Act, 2003	Sales Tax	2	2016-17	Karnataka Appellate Tribunal
The Kerala VAT Act, 2003	Sales Tax	45	2005-17	Assessing Officer/Commercial Tax Officer
The Kerala VAT Act, 2003	Sales Tax	71	2006-07	High Court
Kerala Sales Tax Act	Sales Tax	16	2005-10	Deputy Commissioner (Appeals)
Kerala Sales Tax Act	Sales Tax	0	2008-10	Intelligence Officer Squad
Kerala Sales Tax Act	Sales Tax	1	2002-05	Tribunal
The Madhya Pradesh VAT Act, 2002	Sales Tax	1	2008-09	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 Maharashtra VAT Act, 2002	Sales Tax	0	2003-04	Joint Commissioner, Appeal
Punjab VAT Act, 2005	Sales Tax	1	2009-17	Deputy Commissioner/ DC(Appeal)
Punjab VAT Act, 2005	Sales Tax	30	2003-04	High Court
Punjab VAT Act, 2005	Sales Tax	1	2002-03	Tribunal
Rajasthan VAT Act	Sales Tax	2	2015-16	Commercial Tax Officer
Rajasthan VAT Act	Sales Tax	6	2017-18	Assistant Commissioner
The UP VAT Act	Sales Tax	11	2005-13	Assessing officer
The UP VAT Act	Sales Tax	1	2002-05	Assistant Commissioner
The UP VAT Act	Sales Tax	1	2009-10	Joint Commissioner
The UP VAT Act	Sales Tax	6	2008-10	High court
The UP VAT Act	Sales Tax	3	2003-08	Joint Commissioner, Appeal
The UP VAT Act	Sales Tax	9	2005-10	Tribunal
The UP VAT Act	Sales Tax	1	2015-16	Commissioner (Appeals)
The UP VAT Act	Sales Tax	26	2003-16	Deputy Commissioner
The UK VAT Act, 2005	Sales Tax	0	2016-17	Deputy Commissioner (Appeal)
The West Bengal VAT Act, 2003	Sales Tax	39	2001-02	High Court
The West Bengal VAT Act, 2003	Sales Tax	0	1996-97	The Deputy Commissioner of Commercial Taxes

Name of the Statutes	Nature of the Dues	Amount Disputed (Rs. in Million)	Period to Which Case Pertains	Forum where the dispute is pending
The West Bengal VAT Act, 2003	Sales Tax	0	1995-98, 2016-17	Commercial Tax Officer
The West Bengal VAT Act, 2003	Sales Tax	9	2005-06	Commissioner
The West Bengal VAT Act, 2003	Sales Tax	3	1997-12	Tribunal
<b>Sub Total (B)</b>		<b>927</b>		
Finance Act, 1994 (Service tax)	Service Tax	273	2004-08	Supreme Court
Finance Act, 1994 (Service tax)	Service Tax	289	2003-09	High court
Finance Act, 1994 (Service tax)	Service Tax	5,906	1995-16	Tribunal
Finance Act, 1994 (Service tax)	Service Tax	816	2004-12	Commissioner
Finance Act, 1994 (Service tax)	Service Tax	1	1999-06	Deputy Commissioner/ Deputy Commissioner (Appeals)
<b>Sub Total (C)</b>		<b>7,285</b>		
Goods and Services Tax Act, 2017	UPGST	14	2018-20	Assistant Commissioner
<b>Sub Total (D)</b>		<b>14</b>		
Custom Act, 1962	Custom Act	4,128	2001-05	Supreme Court
Custom Act, 1962	Custom Act	889	2003-15	Tribunal
<b>Sub Total (E)</b>		<b>5,017</b>		
<b>Grand Total (A+B+C+D+E):</b>		<b>44,821</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 ₹ 355 Million, Service Tax is ₹ 501 Million, Goods and Services Tax Act, 2017 is ₹ 0\* Million, Custom Duty is ₹ 2,142 Million and Income Tax is ₹ 11,491 Million.

\*Amount less than half 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. In our opinion and according to the information and explanations given to us, money raised by way of further public offer and 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 to the best of our information and according to explanation given to us, the Company has paid / provided managerial remuneration for the year ended March 31, 2020 in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- 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. According to the information and explanations given to us, the Company has made private placement of equity shares during the year.

In respect of the above issue, we further report that:

- (a) The requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
- (b) The amounts raised have been applied by the Company during the year for the purposes for which the funds were raised, other than temporary deployment pending application.
- 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, subsidiary or 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)

**Shyamak R Tata**

Partner

Place: Mumbai  
Date: May 18, 2020

(Membership No.38320)  
UDIN: 20038320AAAAAE7099