

Independent Auditor's Report

To the Members of
Idea Cellular Limited

Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of Idea Cellular Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2018, the Statement of Profit and Loss, including the Statement of Other Comprehensive Income, the Cash Flow Statement and the 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 the Companies (Indian Accounting Standards) Rules, 2015, as amended. This responsibility also 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 of the standalone Ind AS financial statements 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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 the standalone Ind AS financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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, 2018, its loss including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matter

We draw your attention to Note 42 A) i of the standalone Ind AS financial statements which describes the uncertainties related to the legal outcome in respect of the Department of Telecommunications (DoT) demand notices for one time spectrum charges. Our report is not qualified in respect of this matter.

Other Matter

The standalone Ind AS financial statements of the Company for the year ended March 31, 2017, included in these standalone Ind AS financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those statements on May 13, 2017.

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 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, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Companies (Indian Accounting Standards) Rules, 2015, as amended;
- (e) On the basis of written representations received from the directors as on March 31, 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 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 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, 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 Note 42 to the standalone Ind AS financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For S.R. Batliboi & Associates LLP
Chartered Accountants
ICAI Firm Registration Number: 101049W/E300004

Prashant Singhal
Partner
Membership Number: 93283

Place : Mumbai
Date : April 28, 2018

Annexure 1 to the Independent Auditor's Report

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

Re: Idea Cellular Limited ('the Company')

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (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 programme, a 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. The Company is in the process of reconciling the physical verification results with the records maintained by the Company. However no material discrepancies were identified till the date of this report.
- (c) According to information and explanations given by the management and based on the examination of the financial statements/registered deed/transfer deed/conveyance deed/court approving scheme of arrangements, the title deeds of all land and buildings disclosed as property, plant and equipment are held in the name of the Company as at the balance sheet date. In respect of buildings that have been taken on lease and disclosed as property, plant and equipment, the lease agreements are in the name of the Company, where the Company is the lessee in the agreement.
- (ii) As explained by the management, 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 partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Accordingly, the provisions 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 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 Telecommunication Services, and are of the opinion that prima facie, the specified 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 has generally been regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of custom, value added tax, goods and service tax, cess and other material statutory dues applicable to it. The provisions relating to excise duty are not applicable to the Company.
- (b) 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 custom, value added tax, goods and service tax, cess and other material statutory dues were outstanding, as at March 31, 2018 for a period of more than six months from the date they became payable. The provisions relating to excise duty are not applicable to the Company.
- (c) According to the records of the Company, the dues of income-tax, sales-tax, service tax, duty of custom, value added tax and cess on account of any dispute, are as follows:

Name of Statute	Nature of Dues	Period to which the amount relates	Forum where Dispute is Pending	Amount Involved (₹ in Mn)
Income Tax Act ,1961	Income Tax	2009-10, 2010-11, 2012-13	Assistant Commissioner of Income Tax	2.44
Income Tax Act ,1961	Income Tax	2013-16	Deputy Commissioner of Income Tax	607.47
Income Tax Act ,1961	Income Tax	2002-2017	Commissioner of Income Tax (Appeals)	14,525.74
Income Tax Act ,1961	Income Tax	2002-06, 2007-15	Income Tax Appellate Tribunal	6,946.81
Income Tax Act ,1961	Income Tax	2002-03, 2008-12	High Court of Karnataka	115.55
Income Tax Act ,1961	Income Tax	2003-09	High Court of Andhra Pradesh	131.58
Income Tax Act ,1961	Income Tax	2006-09	Madhya Pradesh High Court	129.80
Income Tax Act ,1961	Income Tax	2006-12	Rajasthan High Court	85.05
Income Tax Act ,1961	Income Tax	2002-04	Supreme Court	9.47
Income Tax Act ,1961	Income Tax	2007-10	High Court of Gujarat	30.73
Income Tax Act ,1961	Income Tax	2006-07 to 2010-11	Bombay High Court	234.36
The Finance Act, 1994 (Service Tax provisions)	Service Tax	10.09.2004 to 30.09.2008	High Court of Andhra Pradesh	25.15
The Finance Act, 1994 (Service Tax provisions)	Service Tax	2003-15	Customs Excise & Service Tax Appellate Tribunal	2,837.81
The Finance Act, 1994 (Service Tax provisions)	Service Tax	2004-Upto 2008 Dec, 2014-2016	High Court, Mumbai	15.06
The Finance Act, 1994 (Service Tax provisions)	Service Tax	Oct-98 to Mar-99, Apr-02 to Sep-02, 2004-08	Punjab & Haryana High Court	36.46
The Finance Act, 1994 (Service Tax provisions)	Service Tax	2004-08	Commissioner of Central Excise & Service Tax	44.00
The Finance Act, 1994 (Service Tax provisions)	Service Tax	Apr-99 to Mar-2001, Apr-2003 to Sep-2003, 2005-07	Commissioner of Central Excise & Service Tax (Appeals)	3.84
The Finance Act, 1994 (Service Tax provisions)	Service Tax	2007-09	Supreme Court of India	285.92
Bombay sales tax Act 1959	Sales Tax	2000-01	Sales tax Tribunal	43.90
Central Sales Tax Act, 1956	Sales Tax	2007-08, 2010-11	Joint Commissioner (Appeals)	41.35
Central Sales Tax Act, 1956	Sales Tax	2013-14, 2015-16	Assistant Commissioner Sales Tax	1.04
Central Sales Tax Act, 1956	Sales Tax	2008-09	Deputy Commissioner of Sales Tax	3.92
Delhi Sales Tax Act, 1975	Sales Tax	2002-03	Additional Commissioner (Appeals)	1.86
Gujarat Sales Tax Act, 1969	Sales Tax	1998-02	State Tax Tribunal	8.83
Gujarat Sales Tax Act, 1969	Sales Tax	Apr 06 to Dec 06	Assessing Officer	1.04
Kerala Sales tax Act, 1963	Sales Tax	1997-98	State Tax Tribunal	0.05
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2000-01	CG Appellate Board	0.48
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2003-06, 2007-09, 2010-12	Joint Commissioner (Appeals)	3.11
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2006-08	State Tax Tribunal	0.69
Uttar Pradesh Trade Tax Act, 1948	Sales Tax	2008-09, 2009-10, 2011-12, 2013-14, 2017-18	Deputy Commissioner of Sales Tax	21.02

Name of Statute	Nature of Dues	Period to which the amount relates	Forum where Dispute is Pending	Amount Involved (₹ in Mn)
Central Sales Tax Act, 1956	Sales Tax	2011-12	Sales Tax Tribunal	33.87
Madhya Pradesh Commercial Tax Act, 1994	Sales Tax	2004-05	Deputy Commissioner of Sales Tax	1.86
Uttar Pradesh Trade Tax Act, 1948 (UTTRAKHAND AMENDEMENT)	Sales Tax	2009-10	Deputy Commissioner of Sales Tax	0.07
Kerala Sales tax Act, 1963	Sales Tax	1998-99	Deputy Commissioner, Sales Tax	0.06
Uttar Pradesh Goods and Service Tax Act, 2017	GST	2017-18	Additional Commissioner (Appeals) GST	0.79
Delhi Value Added Tax Act, 2004	Value Added Tax	2007-08	State Tax Tribunal	14.05
Kerala VAT Act, 2003	Value Added Tax	2012-13, 2014-15, 2015-16	Deputy Commissioner Commercial Tax (Appeals)	0.14
Kerala VAT Act, 2003	Value Added Tax	2011-12	Deputy Commissioner Appeals	0.45
Kerala VAT Act, 2003	Value Added Tax	2011-12	Kerala High Court	81.78
Kerala VAT Act, 2003	Value Added Tax	2011-12, 2016-17	Assistant Commissioner Sales Tax	1.57
Kerala VAT Act, 2003	Value Added Tax	2011-12	Commercial Tax Officer	0.11
Maharashtra Value Added Tax Act, 2002	Value Added Tax	2008-09, 2011-12	Joint Commissioner (Appeals)	323.58
Rajasthan Value Added Tax, 2003	Value Added Tax	2011-12, 2013-14	Assistant Commissioner Sales Tax	11.64
The Bihar Value Added Tax Act, 2005	Value Added Tax	2008-15	State Tax Tribunal	40.70
The Bihar Value Added Tax Act, 2005	Value Added Tax	2015-17	Joint Commissioner (Appeals)	22.22
Uttar Pradesh Value Added Act, 2008	Value Added Tax	2006-07	Deputy Commissioner of Sales Tax	0.74
Uttar Pradesh Value Added Act, 2008	Value Added Tax	2007-2008	High Court Allahabad	0.71
Uttar Pradesh Value Added Act, 2008	Value Added Tax	2011-2012, 2013-2014, 2017-2018	Additional Commissioner (Appeals)	8.40
Kerala VAT Act, 2003	Value Added Tax	2009-10	State Tax Tribunal	0.48
Kerala VAT Act, 2003	Value Added Tax	2016-17	Assessing Officer	0.35
West Bengal Value Added Tax Act, 2003	Value Added Tax	2017-2018	State Tax Tribunal	1.33
The Bihar Value Added Tax Act, 2005	Value Added Tax	2016-17	Commissioner Commercial Taxes Bihar	1.36
Custom Act, 1962	Custom Duty	2003-04, Dec 2009 to Jun 2014	Customs Excise & Service Tax Appellate Tribunal	186.17
Total				26,926.99

The above mentioned figures represent the total disputed cases without any assessment of Probable, Possible and Remote. Of the above cases, total amount deposited in respect of Income Tax is ₹ 5,719.78 Mn, Service Tax is ₹ 416.35 Mn, Sales Tax and Value Added Tax is ₹ 68.75 Mn and Custom Duty is ₹ 47.01 Mn.

- (viii) In our opinion and according to the information and explanations given by the management, the Company has not defaulted in repayment of dues to financial institutions, banks, debenture holders or government.
- (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 by the management, the Company has utilized the monies raised by way of term loans for the purposes 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 during the current year, 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. During the previous year, the Company has paid/accrued remuneration amounting to ₹ 100.46 million to its Managing Director, Mr. Himanshu Kapania out of which ₹ 28.31 Mn was in excess of the limits specified in section 197 of Companies Act, 2013 read with Schedule V thereto which is now regularised by obtaining the waiver letter from Ministry of Corporate Affairs dated March 17, 2018.
- (xii) In our opinion, the Company is not a nidhi company. Therefore, the provisions of clause 3 (xii) 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 the 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 by the management the Company has complied with provisions of section 42 of the Companies Act, 2013 in respect of the preferential allotment and Qualified Institutions Placement of equity shares of ₹ 67,500 Mn during the year. According to the information and explanations given by the management, we report that amount so raised of ₹ 67,500 Mn have been initially kept / invested in current account / liquid investments out of which ₹ 28,495 Mn have been utilised for the purposes for which the funds were raised and balance of ₹ 39,005 Mn remains utilised in liquid investments / current account as at March 31, 2018 which is payable on demand. During the year, the Company has not raised moneys by private placements of convertible debentures.
- (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 as referred to in section 192 of Companies Act, 2013.
- (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 Number: 101049W/E300004

Prashant Singhal

Partner

Membership Number: 93283

Place : Mumbai

Date : April 28, 2018

Annexure 2 to the Independent Auditor's Report of even date on the Standalone Financial Statements of Idea Cellular Limited

Report on the Internal Financial Controls 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 Idea Cellular 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 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 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") and the Standards on Auditing as specified under section 143(10) of the Companies Act, 2013, 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, 2018, 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 Number: 101049W/E300004

Prashant Singhal

Partner

Membership Number: 93283

Place : Mumbai

Date : April 28, 2018