Mahanagar Telephone Nigam Limited
(A Government of India Enterprise)
CIN No: L32101DL1986GOI023501
Registered Office:
Mahanagar Doorsanchar Sadan, 5th floor, 9 CGO Complex, Lodhi Road, New Delhi - 110003
Corporate Office:
MTNL Corporate Office, Mahanagar Door Sanchar Sadan, Room No.4202, Lobby No. 2, 4th Floor, (Opp. Gate No. 13, JLN Stadium), 9 CGO Complex, Lodhi Road, New Delhi – 110003,
Contact No: 011-24319020, Fax: 011-24324243,
Website: http://mtnl.in/,
Mail: mtnlcsco@gmail.com

-PRIVATE & CONFIDENTIAL-

THIS PRIVATE PLACEMENT OFFER LETTER/DISCLOSURE DOCUMENT IS NEITHER A PROSPECTUS NOR A STATEMENT IN LIEU OF PROSPECTUS. THIS PRIVATE PLACEMENT OFFER LETTER/DISCLOSURE DOCUMENT IS PREPARED AND ISSUED IN CONFORMITY WITH

1. **COMPANIES ACT, 2013, AS AMENDED,**
2. **SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008, AS AMENDED,**
3. **FORM PAS-4 PRESCRIBED UNDER SECTION 42 AND RULE 14(1) OF COMPANIES (PROSPECTUS AND ALLOTMENT OF SECURITIES) RULES, 2014, AS AMENDED FROM TIME TO TIME,**
4. **IS AN INFORMATION MEMORANDUM FOR THE PURPOSES OF THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008, AS AMENDED FROM TIME TO TIME.**
5. **THIS ISSUANCE WOULD BE UNDER THE ELECTRONIC BOOK MECHANISM FOR ISSUANCE OF DEBT SECURITIES ON PRIVATE PLACEMENT BASIS AS PER SEBI CIRCULAR 05th JANUARY 2018 BEARING REFERENCE NUMBER SEBI/HO/DDHS/CIR/P/2018/05,**
6. **SEBI CIRCULAR DATED 16th AUGUST 2018 BEARING REFERENCE NUMBER SEBI/HO/DDHS/CIR/P/2018/122, EACH AS AMENDED ("SEBI EBP CIRCULARS"),**
7. **READ WITH THE UPDATED OPERATIONAL GUIDELINES "FOR ISSUANCE OF SECURITIES ON PRIVATE PLACEMENT BASIS THROUGH AN ELECTRONIC BOOK MECHANISM" ISSUED BY BSE VIDE THEIR NOTICE NUMBER 20180928-24 DATED 28th SEPTEMBER 2018 ("BSE EBP GUIDELINES"), AS AMENDED AND AS APPLICABLE AND/OR**
8. **THE SEBI EBP CIRCULARS AND THE BSE EBP GUIDELINES SHALL HEREINAFTER BE REFERRED TO AS THE "OPERATIONAL GUIDELINES". THE ISSUER INTENDS TO USE THE BSE BID BOND PLATFORM FOR THIS ISSUE, AS AMENDED FROM TIME TO TIME AND SUCH OTHER CIRCULARS APPLICABLE FOR ISSUE OF DEBT SECURITIES ISSUED BY SEBI FROM TIME TO TIME**

PRIVATE PLACEMENT OFFER LETTER

PRIVATE PLACEMENT OFFER LETTER OF GOVERNMENT OF INDIA GUARANTEED, RATED, UNSECURED, LISTED, REDEEMABLE, NON-CONVERTIBLE, TAXABLE BONDS IN THE NATURE OF DEBENTURES OF THE FACE VALUE OF RS. 10 LAKH EACH FOR CASH AT PAR FOR Rs 500 CRORES ("BASE ISSUE") WITH OPTION TO RETAIN OVERSUBSCRIPTION UPTO Rs 1,638.60 CRORES AN AMOUNT AGGREGATING TO RS. 2,138.60 CRORES BY MAHANAGAR TELEPHONE NIGAM LIMITED ("MTNL"/ "THE ISSUER")

GENERAL RISK

INVESTMENT IN DEBT INSTRUMENTS INVOLVES A DEGREE OF RISK AND INVESTORS SHOULD INVEST ANY FUNDS IN THE ISSUE ONLY AFTER READING THE RISK FACTORS IN THE PRIVATE PLACEMENT OFFER LETTER CAREFULLY INCLUDING THE RISK INVOLVED. THE SECURITIES HAVE NOT BEEN RECOMMENDED OR APPROVED BY SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) NOR DOES SEBI GUARANTEE THE ACCURACY OR ADEQUACY OF THIS DOCUMENT.
NEITHER THE ISSUER NOR ANY OF THE CURRENT DIRECTORS OF THE ISSUER HAS BEEN DECLARED AS WILLFUL DEFAULTER (FOR DETAILS REFER TO PAGE NO. 61 OF THIS PRIVATE PLACEMENT OFFER LETTER)

ISSUER'S ABSOLUTE RESPONSIBILITY

THE ISSUER, HAVING MADE ALL REASONABLE INQUIRIES, ACCEPTS RESPONSIBILITY FOR AND CONFIRMS THAT THIS OFFER DOCUMENT CONTAINS ALL INFORMATION WITH REGARD TO THE ISSUER AND THE ISSUE, WHICH IS MATERIAL IN THE CONTEXT OF THE ISSUE, THAT THE INFORMATION CONTAINED IN THE PRIVATE PLACEMENT OFFER LETTER IS TRUE AND CORRECT IN ALL MATERIAL ASPECTS AND IS NOT MISLEADING IN ANY MATERIAL RESPECT, THAT THE OPINIONS AND INTENTIONS EXPRESSED HEREIN ARE HONESTLY HELD AND THAT THERE ARE NO OTHER FACTS, THE OMISSION OF WHICH MAKE THIS DOCUMENT AS A WHOLE OR ANY OF SUCH INFORMATION OR THE EXPRESSION OF ANY SUCH OPINIONS OR INTENTIONS MISLEADING IN ANY MATERIAL RESPECT.

CREDIT RATING

CARE AAA (CE/STABLE) by CARE Ratings Limited vide CARE/DRO/RL/2020-21/2931 dated 01st December 2020 and Rating Rationale dated 25th September 2020
CRISIL AAA (CE/STABLE) by CRISIL Ltd. vide MTNL/254801/BOND/092001014/1 dated 26th November 2020 Rating Rationale dated 26th September 2020
BWR AAA (CE/STABLE) by Brickwork India Rating Ltd. vide BWR/NCD/HO/CRC/VI/0453/2020-21 dated 01st December 2020 and Rating Rationale dated 21st September 2020
THE ABOVE RATINGS ARE NOT RECOMMENDATION TO BUY, SELL OR HOLD SECURITIES AND INVESTORS SHOULD TAKE THEIR OWN DECISION. THE RATINGS MAY BE SUBJECT TO REVISION OR WITHDRAWAL AT ANY TIME BY THE ASSIGNING RATING AGENCIES AND EACH RATING SHOULD BE EVALUATED INDEPENDENTLY OF ANY OTHER RATING. THE RATINGS OBTAINED ARE SUBJECT TO REVISION AT ANY POINT OF TIME IN THE FUTURE. INSTRUMENTS WITH THIS RATING ARE CONSIDERED TO HAVE THE HIGHEST DEGREE OF SAFETY REGARDING TIMELY SERVICING OF FINANCIAL OBLIGATIONS. SUCH INSTRUMENTS CARRY LOWEST CREDIT RISK. PLEASE REFER TO ANNEXURE FOR RATING LETTERS FOR THE ABOVE RATINGS

LISTING

Proposed to be listed on the Wholesale Debt Market ("WDM") Segment of Bombay Stock Exchange Ltd. ("BSE").

DEBENTURE TRUSTEE TO THE ISSUE	REGISTRAR TO THE ISSUE
SBICAP Trustee Co. Ltd. 4th Floor, 123, Mistry Bhavan, 3, Dinshaw Wachha Road, Churchgate, Mumbai- 400020 Tel : 022-4302 5555 Fax: 022-4302 5500 E-mail : corporate@sbicaptrustee.com Website:www.sbicaptrustee.com SEBI Reg. No. IND000000536	BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.BEETAL HOUSE, 3rd Floor, 99 Madangir, Behind LSC, New Delhi – 110062 Tel : 011-29961281-83 Fax : 011-29961284 E-mail : beetalrta@gmail.com Website: www.beetalfinancial.com

ARRANGERS TO THE ISSUE (in alphabetic order)			
S.No.	**Name**	**S.No.**	**Name**
1.	ICICI BANK LTD.	**4.**	PNB GILTS LTD
2.	ICICI SECURITIES PRIMARY DEALERSHIP LIMITED	**5.**	SBI CAPITAL MARKETS LIMITED
3.	JM FINANCIAL LIMITED	**6.**	Trust Investment Advisors Pvt Limited.

ISSUE OPENING DATE	**18th December 2020**
ISSUE CLOSING DATE	**18th December 2020**
PAY IN DATES	**21st December 2020**
DEEMED DATE OF ALLOTMENT	**21st December 2020**

This Bond issue is being made strictly on a private placement basis. It is not and should not be deemed to constitute an offer to the public in general. It cannot be accepted by any person other than to whom it has been specifically addressed. The contents of this Private Placement Offer cum Application Letter are non-transferable and are intended to be used by the parties to whom it is distributed. It is not intended for distribution to any other person and should not be copied / reproduced by the recipient for any purpose whatsoever. In consultation with Arrangers, The issuer reserves the right to pre pone the issue earlier from the aforesaid date or post pone the issue at its sole and absolute discretion without giving any reasons or prior notice. In the event of any change in the above issue programme, the Issuer will intimate the investors about the revised issue programme.

Contents

DEFINITIONS/ABBREVIATIONS 7
DISCLAIMER (S) 8
1. **DISCLAIMER OF THE ISSUER:** 8
2. DISCLAIMER OF THE SECURITIES & EXCHANGE BOARD OF INDIA: 9
3. DISCLAIMER OF THE LEAD ARRANGER(S) AND ARRANGER(S) TO THE ISSUE: 9
4. DISCLAIMER OF THE STOCK EXCHANGE: 11
5. DISCLAIMER IN RESPECT OF JURISDICTION: 11
6. DISCLAIMER BY RESERVE BANK OF INDIA: 12
7. DISCLAIMER BY DEBENTURE TRUSTEE: 12
8. **DISCLAIMER BY CREDIT RATING AGENCIES** 12
A. ISSUER INFORMATION: NAME AND ADDRESS OF THE FOLLOWING: 13
B) BRIEF SUMMARY OF BUSINESS/ACTIVITIES OF COMPANY AND ITS LINE OF BUSINESS CONTAINING ATLEAST FOLLOWING INFORMATION:- 15
I) OVERVIEW AND DETAILS OF HISTORICAL MILE STONES UPTO AND AFTER INCORPORATION TILL DATE:- 15
II) CORPORATE STRUCTURE 21
III) KEY OPERATIONAL AND FINANCIAL PARAMETERS FOR THE LAST 3 (THREE) AUDITED YEARS:- 22
IV) SUBSIDIARIES OF THE ISSUER : 22
V) JOINT VENTURES OF THE ISSUER ARE AS FOLLOWS: 24
C) A BRIEF HISTORY OF THE ISSUER GIVING DETAILS OF IT'S FOLLOWING ACTIVITIES:- 25
(I) DETAILS OF SHARE CAPITAL AS ON LAST QUARTER END (30.09.2020):- 25
(II) CHANGES IN ITS CAPITAL STRUCTURE AS ON LAST QUARTER END 30.09.2020, FOR THE LAST FIVE YEARS:- 25
(III) EQUITY SHARE CAPITAL HISTORY OF THE COMPANY AS ON LAST QUARTER END 30.09.2020, FOR THE LAST FIVE YEARS:- 25
(IV) DETAILS OF ANY ACQUISITION OR AMALGAMATION IN THE LAST 1 YEAR: - NA 25
(V) DETAILS OF ANY REORGANIZATION OR RECONSTRUCTION IN THE LAST 1 YEAR:- 25
D) DETAILS OF THE SHAREHOLDING OF THE COMPANY AS ON LATEST QUARTER END 30.09.2020 25
(I) SHAREHOLDING PATTERN OF THE COMPANY AS ON LAST QUARTER END 30.09.2020 25
(II) LIST OF TOP 10 HOLDERS OF EQUITY SHARES OF THE COMPANY AS ON LATEST QUARTER ENDED 30.09.2020 26
E) FOLLOWING DETAILS REGARDING THE DIRECTORS OF THE COMPANY:- 27
(I) DETAILS OF THE CURRENT DIRECTORS OF THE COMPANY AS ON 30.11.2020 27
(II) DETAILS OF CHANGE IN DIRECTORS SINCE LAST THREE YEARS: 27
F) FOLLOWING DETAILS REGARDING THE AUDITORS OF THE COMPANY:- 29
(I) DETAILS OF THE AUDITOR OF THE COMPANY FOR THE LAST THREE FINANCIAL YEARS - 29
(II) DETAILS OF CHANGE IN AUDITOR SINCE LAST THREE YEARS, AS AT 30.11.2020 :- 29
G) DETAILS OF BORROWINGS OF THE COMPANY, AS ON THE PERIOD (30.11.2020) 29
I) DETAILS OF SECURED LOAN FACILITIES AS ON 30.11.2020 29
II) DETAILS OF UNSECURED LOAN FACILITIES AS ON 30.11.2020 33
III) DETAILS OF NCDS :- AS ON 30.11.2020 34
IV) LIST OF TOP 10 DEBENTURE HOLDERS (AS ON 30.11.2020) 34
V) THE AMOUNT OF CORPORATE GUARANTEE ISSUED BY THE ISSUER ALONG WITH NAME OF THE COUNTERPARTY (LIKE NAME OF THE SUBSIDIARY, JV ENTITY, GROUP COMPANY, ETC) ON BEHALF OF WHOM IT HAS BEEN ISSUED. 35
VI) DETAILS OF COMMERCIAL PAPER:- THE FACE VALUE OF COMMERCIAL PAPERS OUTSTANDING AS ON THE LATEST QUARTER END (30.09.2020) TO BE PROVIDEDAND ITS BREAKUP IN FOLLOWING TABLE: 35
VII) DETAILS OF REST OF THE BORROWING (IF ANY INCLUDING HYBRID DEBT LIKE FCCB, OPTIONALLY CONVERTIBLE DEBENTURES / PREFERENCE SHARES) AS ON 30.11.2020:- 35
VIII) DETAILS OF ALL DEFAULT/S AND/OR DELAY IN PAYMENTS OF INTEREST AND PRINCIPAL OF ANY KIND OF TERM LOANS, DEBT SECURITIES AND OTHER FINANCIAL INDEBTEDNESS INCLUDING CORPORATE GUARANTEE ISSUED BY THE

COMPANY, IN THE PAST 5 YEARS. 35
IX) DETAILS OF ANY OUTSTANDING BORROWINGS TAKEN/ DEBT SECURITIES ISSUED WHERE TAKEN / ISSUED (I) FOR CONSIDERATION OTHER THAN CASH, WHETHER IN WHOLE OR PART, (II) AT A PREMIUM OR DISCOUNT, OR (III) IN PURSUANCE OF AN OPTION; 35

H) DETAILS OF PROMOTERS OF THE COMPANY:- 35

I. DETAILS OF PROMOTER HOLDING IN THE COMPANY AS ON LATEST QUARTER ENDED 30.09.2020:- 35

) ABRIDGED VERSION OF AUDITED CONSOLIDATED (WHEREVER AVAILABLE) AND STANDALONE FINANCIAL NFORMATION (LIKE PROFIT & LOSS STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT) FOR AT LEAST LAST THREE YEARS AND AUDITOR QUALIFICATIONS , IF ANY. 36

) ABRIDGED VERSION OF LATEST AUDITED / LIMITED REVIEW HALF YEARLY CONSOLIDATED (WHEREVER AVAILABLE AND STANDALONE FINANCIAL INFORMATION (LIKE PROFIT & LOSS STATEMENT, AND BALANCE SHEET) AND AUDITORS QUALIFICATIONS, IF ANY 44

K) ANY MATERIAL EVENT / DEVELOPMENTS CHANGE HAVING IMPLICATIONS ON THE FINANCIALS/CREDIT QUALITY (E.G ANY MATERIAL REGULATORY PROCEEDINGS AGAINST THE ISSUER/PROMOTERS, TAX LITIGATIONS RESULTING IN MATERIAL LIABILITIES, CORPORATE RESTRUCTURING EVENT ETC) AT THE TIME OF ISSUE WHICH MAY AFFECT THE ISSUE OR THE INVESTOR'S DECISION TO INVEST / CONTINUE TO INVEST IN THE DEBT SECURITIES INCLUDING FORWARD LOOKING STATEMENT. 51

L. THE NAMES OF THE DEBENTURE TRUSTEE(S) SHALL BE MENTIONED WITH STATEMENT TO THE EFFECT THAT DEBENTURE TRUSTEE(S) HAS GIVEN HIS CONSENT TO THE ISSUER FOR HIS APPOINTMENT UNDER REGULATION 4 (4) AND IN ALL THE SUBSEQUENT PERIODICAL COMMUNICATIONS SENT TO THE HOLDERS OF DEBT SECURITIES. 52

M. THE DETAILED RATING RATIONALE (S) ADOPTED (NOT OLDER THAN ONE YEAR ON THE DATE OF OPENING OF THE ISSUE)/ CREDIT RATING LETTER ISSUED (NOT OLDER THAN ONE MONTH ON THE DATE OF OPENING OF THE ISSUE) BY THE RATING AGENCIES SHALL BE DISCLOSED. 53

N. IF THE SECURITY IS BACKED BY A GUARANTEE OR LETTER OF COMFORT OR ANY OTHER DOCUMENT / LETTER WITH SIMILAR INTENT, A COPY OF THE SAME SHALL B E DISCLOSED. IN CASE SUCH DOCUMENT DOES NOT CONTAIN DETAILED PAYMENT STRUCTURE (PROCEDURE OF INVOCATION OF GUARANTEE AND RECEIPT OF PAYMENT BY THE INVESTOR ALONGWITH TIMELINES); THE SAME SHALL BE DISCLOSED IN THE OFFER DOCUMENT. 53

O. COPY OF CONSENT LETTER FROM THE DEBENTURE TRUSTEE SHALL BE DISCLOSED. 54

P. NAMES OF ALL THE RECOGNISED STOCK EXCHANGES WHERE THE DEBT SECURITIES ARE PROPOSED TO BE LISTED CLEARLY INDICATING THE DESIGNATED STOCK EXCHANGE. 54

Q) OTHER DETAILS: 55

A. **DRR CREATION –** 55
B. **ISSUE/INSTRUMENT SPECIFIC REGULATIONS - RELEVANT DETAILS (COMPANIES ACT, RBI GUIDELINES, ETC).** 55
C. **APPLICATION PROCESS** (AS PER EBP) 55

R) PROCEDURE FOR APPLYING FOR DEMAT FACILITY: 58

S. DISCLOSURES PERTAINING TO WILLFUL DEFAULT 61

T. TERM SHEET: ISSUE DETAILS 63

U. DISCLOSURE OF CASH FLOWS: 71

V. TERMS OF OFFER (DETAILS OF DEBT SECURITIES PROPOSED TO BE ISSUED, MODE OF ISSUANCE, ISSUE SIZE, UTILIZATION OF ISSUE PROCEEDS, STOCK EXCHANGES WHERE SECURITIES ARE PROPOSED TO BE LISTED, REDEMPTION AMOUNT, PERIOD OF MATURITY, YIELD ON REDEMPTION, DISCOUNT AT WHICH OFFER IS MADE AND EFFECTIVE YIELD FOR INVESTOR) 72

W. FORM NO. PAS –4 83

ANNEXURE - I 130

IN PRINCIPLE APPROVAL FROM BSE 130
ANNEXURE - II (A) AUDITED FINANCIALS FOR LAST 3 YEARS CONSOLIDATED 132
ANNEXURE – II (B) AUDITED FINANCIALS FOR LAST 3 YEARS STANDALONE 145
ANNEXURE – II (C) UNAUDITED FINANCIALS SEPTEMBER 30, 2020 CONSOLIDATED 158
ANNEXURE – II (D) UNAUDITED FINANCIALS SEPTEMBER 30, 2020 STANDALONE 163
ANNEXURE – III (A) AUDIT REPORT FOR LAST 3 YEARS CONSOLIDATED 167
ANNEXURE - III (C) AUDIT REPORT FOR SEPTEMBER 30, 2020 CONSOLIDATED 280
ANNEXURE - III (D) AUDIT REPORT FOR SEPTEMBER 30, 2020 STANDALONE 288
ANNEXURE – IV BOARD RESOLUTIONS 295
ANNEXURE – V SHAREHOLDER RESOLUTIONS 309
ANNEXURE – VI RATING RATIONALE 312
ANNEXURE – VII DEBENTURE TRUSTEE CONSENT 334
ANNEXURE – VIII GUARANTEE LETTER AND PRESIDENTIAL APPROVAL 337
ANNEXURE – IX REGISTRAR AND AGENT CONSENT 342
ANNEXURE – X TRI PARTITE AGREEMENT 344
ANNEXURE – XI CONTINGENT LIABILITIES 361

DEFINITIONS/ABBREVIATIONS

TERMS	**DESCRIPTION**
"MTNL"/"Company"/ "Corporation"/"Issuer"	"**MAHANAGAR TELEPHONE NIGAM LIMITED"** a public limited company incorporated under Companies Act, 1956.
Articles of Association or Articles	The articles of association of the Company, as amended from time to time.
Board or Board of Directors	The board of directors of Company.
Directors	The directors of Company
Memorandum of Association or Memorandum	The memorandum of association of the company, as amended from time to time.
Promoter	The President of India acting through the Department of Telecommunications, Ministry of Communications, Government of India.
Registered Office	Mahanagar Doorsanchar Sadan, 5th floor, 9 CGO Complex, Lodhi Road, New Delhi – 110003
Bond holder/Debenture holder	The holder of the Bonds
Bonds	Private Placement of Government of India, Guaranteed, Unsecured, Rated, Listed, Redeemable, Non-Convertible, Taxable Bonds in the nature of debentures of the Face Value of Rs 10 Lakh each for cash at par worth aggregating to Rs. 2,138.60 Crore
BSE	BSE Limited
Depository/ies	National Securities Depository Limited ("NSDL") and Central Depository Services (India) Limited ("CDSL")
DP	Depository Participant
DRR/BRR	Debenture Redemption Reserve/ Bond Redemption Reserve
Green shoe Option	Right to retain over subscription
I.T Act	The Income-tax Act, 1961 as amended from time to time.
Private Placement Offer Letter	This Private Placement Offer Letter through which Bonds are being offered for private placement
Issue	Private Placement of Government of India Guaranteed, Unsecured, Rated, Listed, Redeemable, Non-Convertible, Taxable Bonds in the nature of debentures of the Face Value of Rs 10 Lakh each for cash at par worth aggregating to Rs. 2,138.60 Crore
CARE	CARE RATING LIMITED
CRISIL	CRISIL LIMITED
BRICKWORK	Brickwork Ratings India Pvt. Ltd
Trustees	SBICAP Trustee Company Limited

Companies Act	The Companies Act, 2013, as notified by Ministry of Corporate Affairs, Government of India and sections of the companies Act 1956, wherever applicable
CDSL	Central Depository Services (India) Limited
Depository Act	The Depositories Act, 1996, as amended from time to time
GOI or Government	Government of India
MoC	Ministry of Communications, Government of India
MoU	Memorandum of Understanding
NSDL	National Securities Depository Limited
PAN	Permanent Account Number allotted under Income Tax Act
RBI	Reserve Bank of India
SEBI	The Securities and Exchange and Board of India constituted under the SEBI Act, 1992.
SEBI Act	Securities and Exchange and Board of India Act, 1992, as amended from time to time
SEBI Guidelines	SEBI (Issue and Listing of Debt Securities) Regulations, 2008, as amended from time to time.

DISCLAIMER (S)

1. DISCLAIMER OF THE ISSUER:

This Private Placement Offer Letter is neither a Prospectus nor a Statement in Lieu of Prospectus and is prepared in accordance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Companies act, 2013. This Private Placement Offer Letter does not constitute an offer to public in general to subscribe for or otherwise acquire the Bonds to be issued by MTNL **(THE "ISSUER")**. This Private Placement Offer Letter is for the exclusive use of the addressee and restricted for only the intended recipient and it should not be circulated or distributed to third party (ies). It is not and shall not be deemed to constitute an offer or an invitation to the public in general to subscribe to the Bonds issued by the Issuer. This bond issue is made strictly on private placement basis. Apart from this Private Placement Offer Letter, no offer document or prospectus has been prepared in connection with the offering of this bond issue or in relation to the issuer.

This Private Placement Offer Letter is not intended to form the basis of evaluation for the prospective subscribers to whom it is addressed and who are willing and eligible to subscribe to the bonds issued by MTNL **(THE "ISSUER")**. This Private Placement Offer Letter has been prepared to give general information regarding MTNL **(THE "ISSUER")** to parties proposing to invest in this issue of Bonds and it does not purport to contain all the information that any such party may require. MTNL **(THE "ISSUER")** believes that the information contained in this Private Placement Offer Letter is true and correct as of the date hereof. MTNL **(THE "ISSUER")** does not undertake to update this Private Placement Offer Letter to reflect subsequent events and thus prospective subscribers must confirm about the accuracy and relevancy of any information contained herein with MTNL **(THE "ISSUER")**. However, MTNL **(THE "ISSUER")** reserves its right for providing the information at its absolute discretion. MTNL **(THE "ISSUER")** accepts no responsibility for statements made in any advertisement or any other material and anyone placing reliance on any other source of information would be doing so at his own risk and responsibility.

Prospective subscribers must make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in Bonds. It is the responsibility of the prospective subscriber to have obtained all consents, approvals or authorizations required by them to make an offer to subscribe for, and purchase the

Bonds. It is the responsibility of the prospective subscriber to verify if they have necessary power and competence to apply for the Bonds under the relevant laws and regulations in force. Prospective subscribers should conduct their own investigation, due diligence and analysis before applying for the Bonds. Nothing in this Private Placement Offer Letter should be construed as advice or recommendation by the Issuer or by the Arrangers to the Issue to subscribers to the Bonds. The prospective subscribers also acknowledge that the Arrangers to the Issue do not owe the subscribers any duty of care in respect of this private placement offer to subscribe for the bonds. Prospective subscribers should also consult their own advisors on the implications of application, allotment, sale, holding, ownership and redemption of these Bonds and matters incidental thereto.

This Private Placement Offer Letter is not intended for distribution. It is meant for the consideration of the person to whom it is addressed and should not be reproduced by the recipient and the contents of this Private Placement Offer Letter shall be kept utmost confidential. The securities mentioned herein are being issued on private placement Basis and this offer does not constitute a public offer/ invitation.

The Issuer reserves the right to withdraw the private placement of the bond issue prior to the issue closing date(s) in the event of any unforeseen development adversely affecting the economic and regulatory environment or any other force majeure condition including any change in applicable law. In such an event, the Issuer will refund the application money, if any, along with interest payable on such application money, if any.

2. DISCLAIMER OF THE SECURITIES & EXCHANGE BOARD OF INDIA:

This Private Placement Offer Letter has not been filed with Securities & Exchange Board of India **(“SEBI”)**. The Bonds have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this Private Placement Offer Letter. It is to be distinctly understood that this Private Placement Offer Letter should not, in any way, be deemed or construed that the same has been cleared or vetted by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the Issue is proposed to be made, or for the correctness of the statements made or opinions expressed in this Private Placement Offer Letter. The Issue of Bonds being made on private placement basis, filing of this Private Placement Offer Letter is not required with SEBI. However SEBI reserves the right to take up at any point of time, with the Issuer, any irregularities or lapses in this Private Placement Offer Letter.

3. DISCLAIMER OF THE LEAD ARRANGER(S) AND ARRANGER(S) TO THE ISSUE:

It is advised that the Issuer has exercised self-due-diligence to ensure complete compliance of prescribed disclosure norms in this Private Placement Offer Letter. The role of the Lead Arrangers and Arrangers to the Issue (collectively referred to as **“Arrangers”/ “Arrangers to the Issue”)** in the assignment is confined to marketing and placement of the bonds on the basis of this Private Placement Offer Letter as prepared by the Issuer. The Arrangers have neither scrutinized/ vetted nor have they done any due-diligence for verification of the contents of this Private Placement Offer Letter. The Arrangers shall use this Private Placement Offer Letter for the purpose of soliciting subscription from a particular class of eligible investors in the Bonds to be issued by the Issuer on private placement basis. It is to be distinctly understood that the aforesaid use of this Private Placement Offer Letter by the Arrangers should not in any way be deemed or construed that the Private Placement Offer Letter has been prepared, cleared, approved or vetted by the Arrangers; nor do they in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Private Placement Offer Letter; nor do they take responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of the Issuer. Arrangers are not responsible for compliance of any provision of new Companies Act, 2013. The Arrangers or any of their directors, employees, affiliates or representatives do not accept any responsibility and/or liability for any loss or damage arising of whatever nature and extent in connection with the use of any of the information contained in this Private Placement Offer Letter.

Nothing in this Disclosure Document constitutes an offer of securities for sale in the United States of America or any other jurisdiction where such offer or placement would be in violation of any law, rule or regulation. No action is being taken to permit an offering of the bonds in the nature of debentures or the distribution of this Disclosure Document in any jurisdiction where such action is required.

The distribution/taking/sending/dispatching/transmitting of this Disclosure Document and the offering and sale of the Bonds may be restricted by law in certain jurisdictions, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

The Issuer has prepared this Disclosure Document and the Issuer is solely responsible and liable for its contents. The Issuer will comply with all laws, rules and regulations and has obtained all regulatory, governmental, corporate and other necessary approvals for the issuance of the Bonds. The Issuer confirms that all the information contained in this Disclosure Document has been provided by the Issuer or is from publicly available information, and such information has not been independently verified by the Arranger. No representation or warranty, expressed or implied, is or will be made, and no responsibility or liability is or will be accepted, by the Arranger or their affiliates for the accuracy, completeness, reliability, correctness or fairness of this Disclosure Document or any of the information or opinions contained therein, and the Arranger hereby expressly disclaims any responsibility or liability to the fullest extent for the contents of this Disclosure Document, whether arising in tort or contract or otherwise, relating to or resulting from this Disclosure Document or any information or errors contained therein or any omissions there from. Neither Arranger and its affiliates, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of this document. By accepting this Disclosure Document, the Eligible Investor accepts terms of this Disclaimer Clause of Arranger, which forms an integral part of this Disclosure Document and agrees that the Arranger will not have any such liability.

The Eligible Investors should carefully read this Disclosure Document. This Disclosure Document is for general information purposes only, without regard to specific objectives, suitability, financial situations and needs of any particular person and does not constitute any recommendation and the Eligible Investors are not to construe the contents of this Disclosure Document as investment, legal, accounting, regulatory or Tax advice, and the Eligible Investors should consult with its own advisors as to all legal, accounting, regulatory, Tax, financial and related matters concerning an investment in the Bonds. This Disclosure Document should not be construed as an offer to sell or the solicitation of an offer to buy, purchase or subscribe to any securities mentioned therein, and neither this document nor anything contained herein shall form the basis of or be relied upon in connection with any contract or commitment whatsoever.

This Disclosure Document is confidential and is made available to potential investors in the Bonds on the understanding that it is confidential. Recipients are not entitled to use any of the information contained in this Disclosure Document for any purpose other than in assisting to decide whether or not to participate in the Bonds. This document and information contained herein or any part of it does not constitute or purport to constitute investment advice in publicly accessible media and should not be printed, reproduced, transmitted, sold, distributed or published by the recipient without the prior written approval from the Arranger and the Issuer. This Disclosure Document has not been approved and will or may not be reviewed or approved by any statutory or regulatory authority in India or by any stock exchange in India. This document may not be all inclusive and may not contain all of the information that the recipient may consider material.

Each person receiving this Disclosure Document acknowledges that:

1. Such person has been afforded an opportunity to request and to review and has received all additional information considered by it to be necessary to verify the accuracy of or to supplement the information herein; and
2. Has not relied on the Arranger and/or its affiliates that may be associated with the Bonds in connection with its investigation of the accuracy of such information or its investment decision.

Issuer hereby declares that the Issuer has exercised due-diligence to ensure complete compliance of applicable disclosure norms in this Disclosure Document. The Arranger: (a) is not acting as trustee or fiduciary for the investors or any other person; and (b) is under no obligation to conduct any "know your customer" or other procedures in relation to any person. The Arranger is not responsible for (a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Issuer or any other person in or in connection with this Disclosure Document; or (b) the legality, validity, effectiveness, adequacy or enforceability of this Disclosure Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with this Disclosure Document; or (c) any determination as to whether any information provided or to be provided to any investor is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

The Arranger or any of their directors, employees, affiliates or representatives do not accept any responsibility and/or liability for any loss or damage arising of whatever nature and extent in connection with the use of any of the information contained in this document. By accepting this Disclosure Document, investor(s) agree(s) that the Arranger will not have any such liability.

Please note that:

(a) The Arranger and/or their affiliates may, now and/or in the future, have other investment and commercial banking, trust and other relationships with the Issuer and with other persons ("Other Persons");

(b) As a result of those other relationships, the Arranger and/or their affiliates may get information about Other Persons, the Issuer and/or the Issue or that may be relevant to any of them. Despite this, the Arranger and/or their affiliates will not be required to disclose such information, or the fact that it is in possession of such information, to any recipient of this Disclosure Document;

(c) The Arranger and/or their affiliates may, now and in the future, have fiduciary or other relationships under which it, or they, may exercise voting power over securities of various persons. Those securities may, from time to time, include securities of the Issuer; and

(d) The Arranger and/or their affiliates may exercise such voting powers, and otherwise perform its functions in connection with such fiduciary or other relationships, without regard to its relationship to the Issuer and/or the securities."

4. DISCLAIMER OF THE STOCK EXCHANGE:

As required, a copy of this Private Placement Offer Letter has been submitted to the BSE Ltd. **("BSE")** for hosting the same on its website. It is to be distinctly understood that such submission of the document with BSE and or hosting the same on its website should not in any way be deemed or construed that the document has been cleared or approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this document; nor does it warrant that this Issuer's securities will be listed or continue to be listed on the BSE nor does it take responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of the Issuer. Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

5. DISCLAIMER IN RESPECT OF JURISDICTION:

The private placement of Bonds is made in India to Companies, Corporate Bodies, Trusts registered under the Indian Trusts Act, 1882, Societies registered under the Societies Registration Act, 1860 or any other applicable laws, provided that such Trust/ Society is authorized under constitution/ rules/ byelaws to hold bonds in a Company, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Insurance Companies, Commercial Banks including Regional Rural Banks and Cooperative Banks, Provident, Pension, Gratuity, Superannuation Funds as defined under Indian laws. The Private Placement Offer Letter does not, however, constitute an offer to sell or an invitation to subscribe to securities offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Private Placement Offer Letter comes is required to inform him about and to observe any such restrictions. Any disputes arising out of this issue will be subject to the jurisdiction of the Courts at the city of Delhi only. All information considered adequate and relevant about the Issuer has been made available in this Private Placement Offer Letter for the use and perusal of the potential investors and no selective or additional information would be available for a section of investors in any manner what so ever.

6. <u>DISCLAIMER BY RESERVE BANK OF INDIA:</u>

The Securities have not been recommended or approved by the Reserve Bank of India nor does RBI guarantee the accuracy or adequacy of this document. It is to be distinctly understood that this document should not, in any way, be deemed or construed that the securities have been recommended for investment by the RBI. RBI does not take any responsibility either for the financial soundness of the Issuer, or the securities being issued by the Issuer or for the correctness of the statements made or opinions expressed in this document. Potential investors may make investment decision in the securities offered in terms of this Private Placement Offer Letter solely on the basis of their own analysis and RBI does not accept any responsibility about servicing/ repayment of such investment.

7. <u>DISCLAIMER BY DEBENTURE TRUSTEE:</u>

Investors should carefully read and note the contents of the Disclosure Document/Disclosure Documents Each Prospective investor should make its own independent assessment of the merit of the investment in Bonds and the issuer. Prospective investors should consult their own financial, legal, tax and other professional advisors as to the risks and investment considerations arising from an investment in the Bonds and should possess the appropriate resources to analyze such investment and suitability of such investment to such investor's particular circumstance. Prospective investors are required to make their own independent evaluation and judgement before making the investment and are believed to be experienced in Investing in debt markets and are able to bear the economic risk of investing in such instruments

8. <u>DISCLAIMER BY CREDIT RATING AGENCIES</u>

The rating for the Securities under Issue is **""CRISIL AAA(CE)/Stable" by 'CRISIL Limited, "CARE AAA(CE); Stable" by CARE Ratings Limited and "BWR AAA(CE)/Stable" by Brickwork India Rating Ltd**. The rating is not a recommendation to buy, sell or hold securities and investors should take their own decision. The rating may be subject to revision or withdrawal at any time by the assigning rating agency and each rating should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in the ₹future. The rating agency has the right to suspend, withdraw the rating at any time on the basis of factors such as new information, unavailability if information or any other circumstances. This Disclosure Document prepared under SEBI (Issue and Listing of Debt Securities) Regulations, 2008 dated June 6, 2008, as amended from time to time, for private placement of the Debentures is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the debt securities to be issued by the Corporation. This is only an information brochure intended for private use.

A. ISSUER INFORMATION: NAME AND ADDRESS OF THE FOLLOWING:

Sr.No	PARTICULARS	:	DETAILS
(i)	REGISTERED OFFICE OF THE ISSUER		
	Name	:	MAHANAGAR TELEPHONE NIGAM LTD.
	Address	:	Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;
	Tele No	:	011-24319020
	Fax No	:	011-24324243
	Email	:	mtnlcsco@gmail.com
	Website	:	http://mtnl.in/
(ii)	CORPORATE OFFICE OF THE ISSUER		
	Name	:	MAHANAGAR TELEPHONE NIGAM LTD.
	Address	:	Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;
	Tele No	:	011-24319020
	Fax No	:	011-24324243
	Email	:	mtnlcsco@gmail.com
	Website	:	http://mtnl.in/
(iii)	COMPLIANCE OFFICER OF THE ISSUER		
	Name	:	S R Sayal
	Address	:	MAHANAGAR TELEPHONE NIGAM LTD Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;.
	Tele No	:	011-24317225
	Email	:	mtnlcsco@gmail.com
	Website	:	http://mtnl.in/
(iv)	CHIEF FINANCIAL OFFICER OF THE ISSUER		
	Name	:	Suresh Kumar Gupta
	Address	:	MAHANAGAR TELEPHONE NIGAM LTD Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;.
	Tele No	:	011-24321095
	Email	:	dirfin@mtnl.in
	Website	:	http://mtnl.in/
(v)	ARRANGER(S) TO THE ISSUE (in alphabetic Order)		
A	Name	:	ICICI BANK LTD.
B	Name	:	ICICI SECURITIES PRIMARY DEALERSHIP LIMITED
C	Name	:	JM FINANCIAL LIMITED
D	Name	:	PNB GILTS LTD
E	Name	:	SBI CAPITAL MARKETS LIMITED
F	Name	:	Trust Investment Advisors Pvt Limited.

(vi)	**TRUSTEE OF THE ISSUE**			
	Name	:	SBICAP Trustee Company Limited	
	Address	:	4th Floor, 123, Mistry Bhavan, 3, Dinshaw Wachha Road, Churchgate, Mumbai- 400020	
	Tele No	:	011 - 4302 5555	
	Email	:	corporate@sbicaptrustee.com	
	Webiste	:	www.sbicaptrustee.com	
(vii)	**REGISTRAR TO THE ISSUE**			
	Name	:	BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.	
	Address	:	BEETAL HOUSE, 3rd Floor, 99, Madangir, Behind LSC, New Delhi – 110062	
	Tele No	:	011 – 2996 1281-83	
	Fax No	:	011 – 2996 1284	
	Email	:	beetalrta@gmail.com	
	Website	:	www.beetalfinancial.com	
(viii)	**CREDIT RATING AGENCY**			
A	Name	:	CRISIL Limited	
	Address	:	CRISIL House, Plot No. 46, Sector - 44, Gurgaon – 122003	
	Tele No	:	0124-6722121	
	Email	:	dolly.parmar@crisil.com	
	Website	:	https://www.crisil.com/	
B	Name	:	CARE Ratings Ltd,	
	Address	:	13th Floor, E-1, Videocon Tower, Jhandewalan Extension, New Delhi – 110055	
	Tele No	:	011-45333200	
	Fax No	:	011-45333238	
	Email	:	rajender.walia@careratings.com	
	Website	:	https://www.careratings.com/	
C	Name	:	Brickwork Ratings India Pvt. Ltd.,	
	Address	:	3rd Floor, Raj Alkaa Park, Kalena Agrahara, Bannerghatta Road, Bengaluru – 560076	
	Tele No	:	09740087345	
	Fax No	:	+91 8040409941	
	Email	:	vipula.s@brickworkratings.com	
	Webiste	:	https://www.brickworkratings.com/	
(ix)	**AUDITORS OF THE ISSUER**			
A	Name	:	VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS	SPMG & COMPANY CHARTERED ACCOUNTANTS
	Address	:	4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj New Delhi – 110002	3322A, 2ND FLOOR, BANK STREET, KAROL BAGH, NEW DELHI – 110005
	Tele No	:	011-23288101	011-28728769

B) BRIEF SUMMARY OF BUSINESS/ACTIVITIES OF COMPANY AND ITS LINE OF BUSINESS CONTAINING ATLEAST FOLLOWING INFORMATION:-

i) OVERVIEW AND DETAILS OF HISTORICAL MILE STONES UPTO AND AFTER INCORPORATION TILL DATE:-

MTNL was setup on 1st April, 1986 by the Government of India to upgrade the quality of telecom services, expand the telecom network, introduce new services and to raise revenue for telecom development needs of India's key metro cities of Delhi & Mumbai. MTNL is the principal provider of fixed-line telecommunication service in the two Metropolitan Cities of Delhi and Mumbai. It offers mobile services in the city of Delhi including four peripheral towns Noida, Gurgaon, Faridabad & Gaziabad and the Mumbai city along with the areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation. It also offers FTTH services.

The Authorized Capital of the Company is Rs. 10,000 Crore. The Paid up Share Capital is Rs. 630 Crores divided into 63 Crores equity share of Rs. 10 each. At present, 56.25% equity shares are held by President of India & her nominees and remaining 43.75% shares are held by FIIs, Financial Institutions, Banks, Mutual Funds and others including individual investors. MTNL has been given Navratna status in 1997 and was listed in New York Stock Exchange in 2001. In the year 2012 the listing in NYSE was withdrawn and the ADRs were brought onto OCTQX, international market in order to reduce the cost of USGAPP compliances.

In more than two decades of its operations, there has been all-round development & growth and improved operational efficiency. Presently, MTNL is providing a host of telecom services that include fixed telephone service, GSM (including 3G services) & Internet, Broadband, ISDN, FTTH and Leased Line services. MTNL has been in the forefront of offering state of the art technology based telecommunications services to its customers at most affordable prices. MTNL has been the first to launch some of the latest telecom technologies in the country like ADSL2+ & VDSL2 in broadband and 3G Mobile service.

MTNL is proud to be associated with the Common Wealth Games (CWG)-2010 as its Official Telecom Partner to set up a world class communication infrastructure to meet out the broadcast and telecom requirement of the event. It's a matter of great prestige for MTNL to associate with a global sporting event of this magnitude and significance and to showcase the world, India's capability to setup best possible all round infrastructure.

To meet the broadcast and other requirement such as carrying of High Definition TV stream, games data, security requirements etc the salient features of Telecom infrastructure were specially created by MTNL for CWG-2010 in less than a year time frame.

After completion of the games the network elements are used to strengthen / augment the exiting IP / MPLS backbone networks of MTNL in Delhi & Mumbai enabling MTNL to meet all its current and future requirements as well as to facilitate it to provide wholesale bandwidth connectivity to other telecom operators, Banks, Corporate Houses and various other Govt. Agencies on lease or rental basis support.

MTNL is providing telecommunications beyond boundaries through its Joint Ventures and Subsidiaries. MTNL is present in Nepal through its Joint Venture United Telecom Limited (UTL) and in Mauritius through its 100% subsidiary Mahanagar Telephone Mauritius Limited (MTML).

In the past 34 years, the company has taken rapid strides to emerge as India's leading and one of Asia's largest telecom operating companies. Besides having a strong network, MTNL has maintained customer base of 6.36 million as on 30th September, 2020.

The company has also been in the forefront of technology induction by converting 100% of its telephone exchange network into the state-of-the-art digital mode.

MTNL is listed on the Indian Stock Exchanges i.e., National Stock Exchange (NSE), Bombay Stock Exchange (BSE) & OTCQX International Market and its applications for delisting from Delhi, Kolkatta and Madras Stock exchanges are pending.

MISSION:

To remain market leader in providing world class Telecom and IT related services at affordable prices and to become a global player.

VISION:

- Become a total solution provider company and to provide world class telecom services at affordable prices.
- Become a global telecom company and to find a place in the Fortune 500 companies.
- Become the largest provider of private networks and leased lines.
- Venture into other areas in India and abroad on the strength of our core competency.

OBJECTIVES:

- To expand customer base and services.
- To provide latest technology and services to the customers, at affordable prices.
- To achieve the highest level of customer satisfaction and delight.
- To diversify in other areas for providing telecom services at national and international levels.
- To provide convergence of Telecom, Information Technology and related services.
- To improve productivity by training and redeployment of man-power.
- To work for social benefits.

CORPORATE GOVERNANCE

At present, MTNL Board consists of Six Directors which includes four functional directors and two government nominees, out of which one is appointed w.e.f 26/11/2020. The additional charge of CMD is given to CMD BSNL at present. MTNL has been following the principles of Corporate Governance. As it is understood, the principles and Corporate Governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions via its stake holders, in particular its shareholders, creditors, customers, the state and employees.

The major constituents/components of Corporate Governance include:

1) Constitution of the Board of Directors.
2) Key information that are being reported to and are placed before the Board of Directors.
3) Proper functioning of Audit Committee.
4) Transparency and desirable disclosures by the company.

The additional charge of CMD is given to CMD, BSNL and the additional charge of Dir (F) held by Pr. CCA, Delhi DoT at present. The meetings of the Board are held regularly, as per the agenda and their importance. Besides regular Board Meeting, emergency Board meetings are held as and when required. The information, which are reported to and placed before the Board includes: -

1) Annual Plans, revenue, capital budgets, manpower and over-head budgets and manpower requirements.
2) Quarterly results of the company as a whole and its operating divisions.
3) Internal audit reports.

There is a separate Internal Audit group formed & functioning in the company under whose jurisdiction member of independent Chartered Accountants Firms are appointed by the company to carry out audit of various departments of the company both in Delhi & Mumbai as well as Corporate Office.

Apart from the internal audit, the company is also subjected to Govt. Audits and other audits/examination by Parliamentary Committees. Company has to report its monthly, quarterly and yearly achievements in terms of financial and physical parameters to DoT and Department of Public Enterprises (DPE).

Hence, it can be seen that the company functions in a most transparent manner. Two most important claimants to any company are creditors and shareholders and the Corporate Governance and good corporate practice must satisfy both these claimants. In this regard, MTNL has a unique distinction of servicing its shareholders. The company has evolved its own Insider Trading Code as per SEBI Rules & Regulations.

HISTORICAL DEVELOPMENT	
1911	Establishment of Delhi telephones system with manual exchange
1926	Opening if 1st automatic exchange (Lothian exchange)
1937	Opening of Connaught Place exchange.
1945	First Manual Trunk exchange opened.
1950	Opening of Cantt exchange
1953	Tiz Hazari Exchange (Lothian exchange ceased working) commissioned.
1955	Secretariat exchange commissioned
1958	Karol Bagh exchange (SXS) commissioned.
1961	JorBagh exchange (SXS) commissioned.
1961	Shahadara exchange (SXS) commissioned.
1962	Opening of First STC service to Agra.
1963	Delhi Gate (27) exchange commissioned.
1964	Delhi telephone crosses 50,000 lines.
1966	Opening of exchanges at Nangloi, Narela, Najafgarh, Bahadurgarh and Ballabgarh.
1967	Rajpath (38) exchange commissioned
1968	1st X-Bar exchange (KB58) commissioned. X-Bar exchange (JB62) commissioned
1969	Trunk automatic exchange (TAX) commissioned
1970	Okhla X-Bar exchange commissioned.
1972	Opening of Idgah-I (51) Strowger exchange.
1972	X-Bar (31) Janpath-I exchange commissioned. Delhi telephones crosses 1 lac lines.
1973	Opening of X-Bar (67) Chanakya Puri exchange.
1975	X-Bar Janpath-IV (34) exchange commissioned. X-Bar Shahdara East (20) exchange commissioned.
1976	Shakti Nagar (74) exchange commissioned. Idgah-II (52) X-Bar exchange inaugurated by Mr. Fakhuriddin Ali Ahmed, President of India, on 28.8.76 and presided over by Mr. S.D. Sharma (Minister of Communications). Opening of Shahdara East (20) Extension-I, X-Bar exchange on 31.8.76. It was inaugurated by Mr. H.K.L Bhagat (Minister of State for Works & Housing) and Mr. S.D. Sharma (Minister of Communications). Opening of HauzKhas (65) X-Bar exchange on 18.10.76. It was inaugurated by Mr. S.D. Sharma (Minister of Communications) and presided over by Mr. Radha Raman (Chief Executive Councillor, Delhi).
1977	Opening of STD Service to Indore and Ambala on 5.10.77 by Mr. Brij Lal Verma (Minister of Communications).
1978	Opening of Rajouri Garden-I (59) X-Bar exchange in Feb 78 Opening of Hauz Khas -II (66) X-Bar exchange on 15.2.78, by Mr. Brij Lal Verma (Minister of Communications). Opening of Janpath-V (35) X-Bar exchange. Opening of Nehru Place (68) Strowger exchange on 4.11.78 by Mr. BrijLalVerma (Minister of Communications) and presided over by Mr. R.K. Gupta (Mayor of Delhi).
1986	Creation of Mahanagar Telephones Nigam Limited

1986	First digital exchange world technology brought to India
1987	Largle Scale introduction of push button telephone made dialing easier.
1988	Phone Plus services multiplied benefits to telephone users.
1992	Voice Mail Service Introduced
1996	ISDN services introduced
1997	Wireless in Local loop introduced
1999	Internet services introduced.
2000	Millennium Telecom Limited, a wholly owned subsidiary of MTNL is born
2001	Launched GSM Cellular Mobile service under the brand name Dolphin Launched WLL Mobile services under the brand name Garuda. United telecom ltd.,MTNL Joint venture in Nepal, for providing WLL based services in Nepal became operational. CLI based Internet express services introduced.
2002	Launched pre-paid GSM Mobile services under the brand name Trump. Email on PSTN lines introduced under the brand name mtnl mail. Providing CDMA based Fixed & Mobile service in Nepal through its JV UTL, Nepal
2003	Introduced CDMA 1x 2000 Technology under the brand name Garuda 1-x.Introduced pilot project of ADSL based Broadband services. Introduced Virtual Phone services. Mahanagar Telephone Mauritius Ltd. bagged second operator license in Mauritius.
2004	Expanded GSM & CDMA capacity by 800,000 lines each (total 1.6 million lines expanded) STD/ISD rates slashed by almost 60%. MTNL subsidiary MTML obtained license to provide fixed, mobile & ILD services in Mauritius. Launched Wi-Fi & digital certification services. State of the art training centre CETTM commissioned.
2005	Leading market in GSM customer additions. Launched broadband services under the brand name TRI BAND. Launch of ADSL2+ based broadband service, as on date have largest market share in Delhi & Mumbai (56%). Floated tender for 1 million 3G GSM lines.
2006	First operator to launch IPTV Service in country
2008	Offer Wi fi based Hot Spot Service
2009	First operator to launch 3G Service
2010	Exclusive telecom and data service provider in CWG games
2012	Launch of FTTH Service Deployment of Converged Billing System Launch of 2G mobile service in MTML Mauritius.
2013	Launch of Broadband on VDSL Technology with the speed of 10 mbps. Missed Call Alert facility (MCA)
2014	Free incoming facility will be available while roaming in MTNL network (Delhi and Mumbai LSA) for its own customers. The facility will be applicable both for prepaid and postpaid subscribers and for calls received from all operators from 26-01-2014.
2016	MTNL extended connectivity and bandwidth to about 6000 Cameras on 1800 poles in Mumbai City Surveillance project

2017	Upgradation of 3G network to HSPA+ capabilities
2018	The project of Wi-Fi and FTTH services in NDMC area was launched on 13th August 2018. Launched NDMC Connect, which is an MTNL-NDMC initiative to provide high speed Wi-Fi and FTTH services in the NDMC area The State of the art Wi-Fi network has been equipped with unprecedented speed capabilities of 1 Gbps
2019	Cabinet Approval to the proposal of DoT for Revival of BSNL and MTNL by reducing employee costs through VRS, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetisation of assets and in-principle approval of merger of BSNL and MTNL

GROWTH AND ACHIEVEMENT

MTNL as a company, over the last thirty four years, grew rapidly by modernizing the network through induction of State-of-the-art technologies and adopting a customer friendly approach.

As on 31.03.2020

S. No.	Parameters	MTNL Delhi	MTNL Mumbai	MTNL Total
1	Number of Switches	364	285	649
2	**Details of Capacity**			
2a	Fixed Phones	2416505	2586392	5002897
2b	GSM	2800000	2800000	5600000
2c	Broadband Capacity (in Ports)	788736	845908	1634644
3	DELs (including Fixed-Line, GSM and Broadband)	4010763	3234783	7245546
3a	Fixed Line	1395358	1698442	3093800
3b	GSM	2181486	1178701	3360187
3c	Broadband Subscribers	433939	357640	791579
4	FTTH Subscribers	20519	13833	34352
5	ISDN	7057	10560	17617
6	DLC (No.)	425	39	464
7	Tax Capacity	150000	115200	265200
8	Tandem Capacity	215500	331240	546740
9	**Optical Fibre Cable**			
9a	OFC in Route Kms	9047.845	9216.24	18264.085
9b	OFC in Fibre Kms	302312.914	297002.618	599315.532
10	Leased Circuits	9548	16500	26048

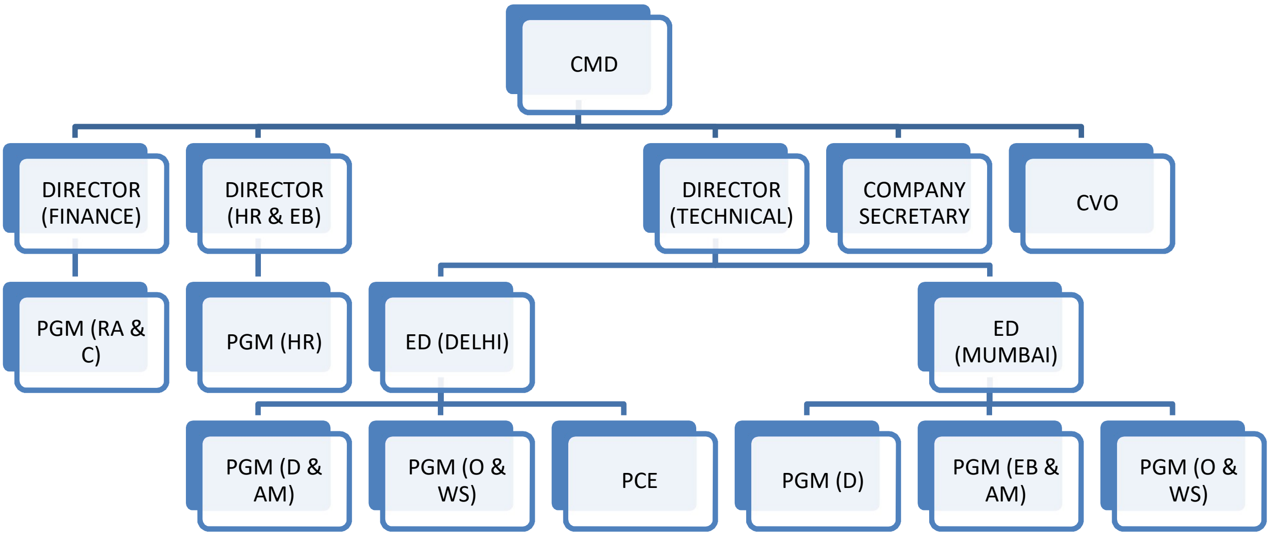
COMMON CHARTER OF TELECOM SERVICES 2005

1. MTNL as a service provider fully acknowledges the right of citizen to opt for the service provider of his choice and also assures to provide the best services to the subscribers.
2. Consumers are educated about their rights through Sanchar Haats in respect of the choices offered by MTNL. A booklet on Redressed Mechanism in Hindi & English has also been provided at all Sanchar Haats for awareness of the consumers. The same is available on MTNL Web site.
3. MTNL assures that privacy of its subscribers (not affecting the national security) shall be scrupulously guarded.
4. MTNL assures its subscribers full interaction with MTNL authorities personally or through their authorized representatives.
5. Consumers are provided all the rules regulations terms and conditions including all options/choice of plans etc., through Sanchar Haat at the time of submitting their application there at including information on consumer redress system for complaints and billing disputes along with the relevant

contact nos.

6. MTNL has arranged for full human interface with company executives displaying their names and identity for process of disputes resolutions in addition to the arrangement like offering services through call centers.
7. MTNL agrees to inform their subscribers on each bill, their consumer grievance redress process w.r.t. fault complaints & billing disputes. MTNL also agrees to resolve the disputes as per the guidelines of TRAI issued time to time.
8. MTNL provides the basic telephone services within seven days of registration subject to technical feasibility however the mobile services are provided immediately subject to completion of all required formalities by the subscribers.
9. In MTNL the fault are cleared within 24 hours on receipt of the complaint from the subscriber wherever technically feasible.
10. Shifting of telephone connections with in same exchange, intra city exchange and intercity exchange are carried out within 3 working days, 5 working days and 30 working days respectively subject to the availability of the customers, premises are opened & papers are completed. Closures of telephones are done within 3 days subject to completion of all formalities.
11. MTNL provides in its bills the related calls and tariff details, payment procedures including the locations where the subs. can make the payments.
12. In MTNL Jurisdiction the complaints are registered immediately if delivered in person or received by E-mail. In case the complaints are received by post the same are registered within 24 hours.
13. In MTNL the services are provided without any discrimination to every citizen as per his eligibility defined below and who undertakes to pay all charges and deposits.
    *For the purpose of this clause a citizen shall be defined as an individual above the age of 18 or an institution, NGOs, or business/services organizations engaged in any activity which is permissible under laws of land.
14. MTNL provides complete information on directory service related to basic telephones. The complaints are booked in MTNL on TOLL free nos. IVRS.
15. In MTNL subscribers are provided satisfactory connectivity of its services and interconnectivity to the extent of its legal/obligations under the relevant interconnections agreements ensuring that subs do not suffer on account of poor services.
16. MTNL Levies reconnection charges as per the TTO/waives off the same on its own discretion.
17. MTNL allows emergency services like police, fire and ambulance for a period of 15 days during which in coming facility is allowed subject to technical feasibility even after the telephone connection is suspended.
18. It is obligatory on part of the subscribers to clear all dues within the specified time.
19. MTNL fully agrees to achieve the minimum bench mark prescribed by TRAI with respect to the quality of the services and also commits to improve upon the standard of the services at different points of time.
20. Mutual courtesy and respect, the hall mark of durable relationship between service provider and its subscribers is fully agreed to and MTNL abides by these principals.
21. Common charter for telecom services is being followed in MTNL with full sincerity.

ii) CORPORATE STRUCTURE



iii) KEY OPERATIONAL AND FINANCIAL PARAMETERS FOR THE LAST 3 (THREE) AUDITED YEARS:-

STANDALONE BASIS:

Parameter	Half Year ended September 30, 2020 (reviewed)	FY. 2019-20 (Audited)	FY. 2018-19 (Audited)	FY. 2017-18 (Audited)
	(in Rs Crore)	(Rs. in Crore)	(Rs. in Crore)	(Rs. in Crore)
For Non-Financial Entities				
Net Worth	(14,805.56)	(13,585.65)	(9,734.94)	(6,337.35)
Total Debt:	23,668.35	22,965.57	19,691.93	16,974.23
Of which - Non Current Maturities of Long Term Borrowings	12,581.17	12,554.05	11,431.58	10,252.14
- Short Term Borrowings	9,727.18	9,296.42	7,620.35	6,382.09
- Current Maturities of Long Term Borrowings	1,360.00	1,115.00	640.00	340.00
Net Fixed Assets	6,673.21	7,115.83	7,681.46	8,370.97
Non-Current Assets	7,707.22	8,155.77	8,935.37	11,225.18
Cash and Cash Equivalents	66.58	142.68	74.85	54.37
Current Investment	-	-	-	-
Current Assets	6,137.49	8,464.40	5,705.93	4,988.55
Current Liabilities	15,334.45	16,905.84	11,558.60	9,055.39
Net Sales	891.66	2,227.02	2,606.71	3,116.42
EBITDA	276.00	(782.20)	(703.32)	(439.28)
EBIT	(184.30)	(1,754.14)	(1,687.02)	(1,467.96)
Interest	1,035.51	1,941.54	1,703.18	1,505.49
PAT (Total comprehensive Income)	(1,219.81)	(3,811.00)	(3,397.58)	(2,970.65)
Dividend amounts	-	-	-	-
Current Ratio	0.40	0.50	0.50	0.55
Interest Service Coverage Ratio	(0.18)	(0.90)	(0.99)	(0.97)
Gross Debt/Equity Ratio	(1.15)	(1.23)	(1.35)	(1.80)
Debt Service Coverage Ratio	(0.17)	(0.68)	(0.88)	(0.82)

*** GROSS DEBT EQUITY RATIO PRIOR TO AND AFTER ISSUE OF DEBT SECURITIES (Debt Equity Ratio is calculated on estimate basis as financials are prepared on Quarterly basis)**

Before the issue of Debt securities	(1.49)
After the issue of Debt Securities	(1.63)

iv) SUBSIDIARIES OF THE ISSUER :

A) Mahanagar Telephone (Mauritius) Ltd. (MTML)

MTML is a 100% owned subsidiary of MTNL in Mauritius. The company is having license for Mobile Services, International Long Distance (ILD) Services and Internet Services. In a small Island country, having a population of around 13 Lacs only and having Mobile Tele-density of more than 150%, MTML has been able to successfully position itself with Customer Centric Services and with patronage of more than 3,00,000 customers, MTML is able to compete well in a saturated telecom market. The company continues to be in profit for 11th Consecutive Year. MTML is offering Mobile Services on latest state of the art technology having 2G/3G Network all over the Island and 4G (LTE) Services covering more than 90% of the total population. With increased coverage of high speed data services on 4G and migrating more and more subscribers to its 4G network, MTML customers are now generating more than 1000 TB of data every month. Data download has multiplied by more than 250% during the financial year 2019-20. MTML has earned Gross Revenue of approximately MUR 468.2 Million (INR 91.38 Cr) during this financial year as against MUR 484.6 Million (INR 94.59 Cr) during last fiscal year. Slight fall in revenue is mainly due to falling Roaming and ILD revenue due to change in customer usage pattern as more and more customers are now using OTT Services like whatsapp for making and receiving long distance voice and video calls. The company also faced low economic activity and lockdown/curfew due to COVID19 during March, 2020. Still, the company has managed to earn a Net Profit of MUR 18.2 Million (INR 3.55 Cr) during 2019-20 compared to Net Profit of MUR 17.5 Million (INR 3.41 Cr) last year. The company has started focusing more on Enterprise Services and is making inroads in this challenging market, especially because MTML doesn't have Fixed Line Services and Optical Fibre Network. To overcome this challenge and to meet the requirements of high data growth, MTML has been exploring the possibility of having fibre connectivity for its Mobile Towers. At present, all mobile sites are connected on Microwave Radio Network which has its own limitation in terms of growth of data carrying capacity. MTML has been able to successfully engage Central Electricity Board (CEB) of Mauritius, A Government Organization, to provide Optical Fibre to MTML hub sites free of cost in lieu of MTML Mobile Services for its employees, initially for 6 months and further extendable to one year. Under the proposed arrangement, MTML Mobile connections will also be deployed in Smart Meter Network on trial basis, which is being developed by CEB. The arrangement will strengthen MTML's Backhaul Network for its 4G Network and to provide Carrier Grade Services for Enterprise Customers as well as create further business opportunity in Smart Meter Network. Apart from GSM Network, MTML is also having CDMA Network license which was taken in the year 2004 for 15 years. On expiry of HTML License in Jan'19, due to change in technology, the Telecom Regulator decided to vacate the spectrum by closing its CDMA Network. On MTML's request, the license was extended for one more year and on 16th June 20 all willing active CDMA subscribers had migrated to GSM. All the expenses of the company are paid from its own internal resources. The CAPEX for procurement of equipment is totally met from its own internal resources. MTML is operating from its own building, constructed from internal resources, situated in Cyber City, Mauritius which is considered to be heart of IT hub in Mauritius. There is no debt liability on the Company. The company is managed by CEO, CTO, CFO and 10 more officers, all on deputation from the parent company. Other operations are managed through local outsourcing.

B) Millennium Telecom Ltd. (MTL)

Millennium Telecom Ltd (MTL) is a wholly owned subsidiary of MTNL, incorporated in February 2000 under the Companies Act 1956. Services being offered by MTL include Telecom consultancy & engineering, Project Management, Wi-Fi Solution, project on e-governance, Managed services, Turnkey ICT solution, GIS based services, capacity building and skill development etc. MTL is also moving ahead with a very high growth rate. In 2014-15, the company turned into profit making company by System Integration and other ICT related business at pan India level. During the year under report i.e. 2019-20 the company has earned revenue of Rs. 1.47 Crore. MTL earned a net profit of Rs. 25.67 lakhs for the period ending 31st March 2020. MTL is in the process of winning over more orders in the upcoming years. A large number of Govt. Institutions have awarded works on nomination basis, which have been successfully executed by MTL. Customer list include Air India, J & K Government, Central University-(Mahendragarh) Haryana, UP Building and Other Constructions Workers Welfare Board (BOCWWB), Lucknow, Thane Municipal Corporation, CIDCO, Film Division of India, Insurance Institute of India, etc. MTL is also expanding its portfolio of services for providing generalized as well customized solutions to suit government and semi government institutions. MTL has empanelled 26 Business Development Associates (BDAs) for 10 years through EOI in the year 2016-17. In the F.Y 2019-20, MTL has worked on various projects GIS based Survey of District Meerut and Ghaziabad of UP for generating social welfare fund for labor's CESS, CIDCO EPABX Server (3 years contract), TMC WAN Networking (5 years contract), TMC Managed services (5 years contract), etc.

v) JOINT VENTURES OF THE ISSUER ARE AS FOLLOWS:

(A) MTNL STPI IT SERVICES LTD (MSITS)

MTNL STPI IT Services Ltd. (MSITSL) is a 50:50 Joint Venture company of Mahanagar Telephone Nigam Limited (MTNL) and Software Technology Parks of India (STPI). MSITSL was incorporated on 31/03/2006 under the Companies Act, 1956, with authorized Capital of Rs. 50 Crore. MSITSL has established the physical infrastructure of state of the art Tier III Data Center at Chennai on space taken on lease basis from STPI. The Data Center has server farm area of around 3,500 sq. ft. and the total investment made for setting it up was Rs. 477 lakhs. This Tier III Data Center is maintaining 99.98% uptime on 24X7. The commercial operation of the Data Center commenced in 2009. At present, the following customers have co-located server racks for their projects and operation in the MSITSL Data Centre.

- The Ministry of External Affairs (MEA) has hosted Passport Seva Project at MSITSL Data Center through M/s TCS.
- The Directorate General of Employment & Training (DGE&T) in Ministry of Labour & Employment has hosted National Career Project through STPI at MSITSL Data Centre.
- M/s Repco Bank Ltd has co-located server racks for banking operation.

The details of revenue earned by the Company in previous years are as follows:

Financial Year period	Revenue in Rs (Lakhs)	Financial Year period	Revenue in Rs (Lakhs)
2009-10	196	2014-15	422
2010-11	275	2015-16	534
2011-12	297	2016-17	540
2012-13	360	2017-18	579
2013-14	388	2018-19	573
		2019-20	614

MSITSL has hired consultant for studying the feasibility for expanding the Data Center server farm area by around 1,200 sqft as per Tier-III standard. The consultant has submitted the report which is being processed.

(B) United Telecommunication Ltd. (UTL)

UTL is J.V Company of MTNL which consists of TCL, TCIL, NVPL (Nepal) & MTNL. The company provides Mobile/ILD/data services in Nepal. At present MTNL is holding 26.68% of Equity in UTL. The company has not been performing well for the last few years. It has huge losses. The Customer base has also reduced. It is not able to pay the statutory dues like Royalty, Fees, BTS site charges, and other dues to the Govt. of Nepal. The company does not have resources to clear its outstanding. They have sought Equity/ Loan participation by its JV partners but MTNL, TCIL & TCL all the Indian JV partners have decided not to contribute any amount towards its Share Capital or Loan. All the Indian JV Partners have decided to exit from the JV and have exercised their Right to exit, on January 30, 2018. Notice of exit (Sale of our share in JV Company) was given and was required to be accepted within 3 months i.e., on or before 30.04.2018 but so far, the same has not been given effect by the UTL/NVPL.
Accordingly, such investment has been classified as "held for sale" in the financial statement for year ended 31st March, 2020. The repatriation of Indian FDI in Nepal is under the consideration of the Nepal Government/Department. MTNL and other JV Partner have taken up the matter with Ambassador of India in Nepal through the secretary DoT to get the process expedited so that facilitation of the remittance of amount invested in UTL is done.
The Ministry of Foreign Affairs, Govt. of Nepal has vide letter dated 26.11.2019 has informed to the Embassy of India, Kathmandu (Nepal) that the Authorities concerned of the Govt. of Nepal would be able to grant

approval for repatriation of the capital invested by Indian Shareholders of UTL namely MTNL, TCIL and TCL, once the outstanding tax amount (tariff, royalties, fees, charges, etc.) of NRs 85,83,86,044.00 to be paid by UTL to the authorities concerned of the Govt. of Nepal including Nepal Telecommunication Authority, is completely settled.

C) A BRIEF HISTORY OF THE ISSUER GIVING DETAILS OF IT'S FOLLOWING ACTIVITIES:-

(i) DETAILS OF SHARE CAPITAL AS ON LAST QUARTER END (30.09.2020):-

Share Capital	Rs. In Crore
Authorized Share Capital	10,000.00
Issued, Subscribed & Fully Paid up	630.00

(ii) CHANGES IN ITS CAPITAL STRUCTURE AS ON LAST QUARTER END 30.09.2020, FOR THE LAST FIVE YEARS:-

Date of change (AGM/EGM)	Amount (Rs. in Crore)	Particulars
32nd AGM held on 28.09.2018	10,000	Increase in Authorized Capital from Rs 800 cr to Rs 10,000 cr
EGM held on 08.01.2020		The Authorized Capital of Rs 10,000 Cr is divided into Rs 3,500 Crores (350 Cr Equity Shares of Rs 10/- each) and Rs 6,500 Crores (65 Cr Preference Shares of Rs 100/- each)

(iii) EQUITY SHARE CAPITAL HISTORY OF THE COMPANY AS ON LAST QUARTER END 30.09.2020, FOR THE LAST FIVE YEARS:-

Date of Allotment	No of Equity Shares	Face Value (Rs.)	Issue Price (in Rs.)	Consideration (Cash, other than cash, etc)	Nature of Allotment	Cumulative No. of Equity Shares	Cumulative Equity Shares capital (Rs.)	Cumulative Equity Shares Premium (in Rs.)	Remarks
There has been no allotment in last five years									

(iv) DETAILS OF ANY ACQUISITION OR AMALGAMATION IN THE LAST 1 YEAR: - NA

(v) DETAILS OF ANY REORGANIZATION OR RECONSTRUCTION IN THE LAST 1 YEAR:-

Type of Event	Date of Announcement	Date of Completion	Details
NA	NA	NA	NA

(D) DETAILS OF THE SHAREHOLDING OF THE COMPANY AS ON LATEST QUARTER END 30.09.2020

(i) SHAREHOLDING PATTERN OF THE COMPANY AS ON LAST QUARTER END 30.09.2020

Sl. No.	Particulars	Total No. of Equity Shares	No. of Shares in Demat form	Total Shareholding as % of total no. of equity shares
1	President of India	354378740	354378740	56.25
2	Mutual Funds	4500	100	0.00
3	Financial Institutions/Banks	2552997	2551297	0.40
4	LIC	84860778	84860278	13.47

5	Other Insurance Companies	3387514	3387514	0.54
6	Bodies Corporate	6788344	6782344	1.07
7	Individuals	156585747	156524486	24.86
8	Trusts	301052	301052	0.07
9	HUF	9544549	9544549	1.5
10	Clearing Members	468936	468936	0.07
11	Foreign Portfolio Investors	2191084	2190484	0.35
12	NRI	1887865	1887865	0.3
13	Foreign Bodies Corporate	6000	6000	0
14	Shares held by Custodians and against which Depository Receipts have been issued	7039394	7039394	1.12
15	Any other	2500	2500	0
	GRAND TOTAL	**630000000**	**629925539**	**100**

(ii) LIST OF TOP 10 HOLDERS OF EQUITY SHARES OF THE COMPANY AS ON LATEST QUARTER ENDED 30.09.2020

Sl. No.	Name of the Shareholder	Total No. of Equity Shares	No. of Shares in Demat form	Total Shareholding as % of total no. of equity shares
1	PRESIDENT OF INDIA	354378740	354378740	56.2506
2	LIFE INSURANCE CORPORATION OF INDIA	84860778	84860278	13.4700
3	KAMLESH B SHAH	9182765	9182765	1.4576
4	THE BANK OF NEW YORK	7039394	7039394	1.1174
5	PRAKASH BABALAL SHAH	2149900	2149900	0.3413
6	THE NEW INDIA ASSURANCE COMPANY LIMITED	1994544	1994544	0.3166
7	SURAJ RAMCHAND POPLEY	1746940	1746940	0.2773
8	ELARA INDIA OPPORTUNITIES FUND LIMITED	1618500	1618500	0.2569
9	PUNJAB NATIONAL BANK	1550000	1550000	0.2460
10	THE ORIENTAL INSURANCE COMPANY LIMITED	1392970	1392970	0.2211

(E) FOLLOWING DETAILS REGARDING THE DIRECTORS OF THE COMPANY:-

(i) DETAILS OF THE CURRENT DIRECTORS OF THE COMPANY as on 30.11.2020

Sl. No.	Name/Designation/DIN	Age	Occupation	Address	Director of the Company since	Other Directorships
1	P.K. Purwar, CMD 06619060	55	Service	8, Raisina Road, New Delhi – 110001	15.04.2020	1. BSNL– CMD 2. Director- UTL 3. Chaiman & Director - MTML 4. MTNLSTPI IT Services Ltd. – Chairman & Director 5. BSNL Tower Corporation Ltd – Chairman & Director
2	Sunil Kumar, Director (HR & EB) 06628803	58	Service	T-37, Atul Grove Road, New Delhi-110001	21.06.2013	1. MTNL STPI IT Services Ltd. – Director 2.Millennium Telecom Ltd. - Director
3	Suresh Kumar Gupta, Director (Finance), 08221877	58	Service	L-37 A GROUND FLOOR, MALVIYA NAGAR, NEW DELHI - 110 017	21-10-2020	1. BSNL– Director (Finance) 2. BSNL Tower Corporation Limited - Director 3. Govt. Director in M/s HTL Limited
4	Sanjeev Kumar, Director (Technical), 07566882	53	Service	C-I/65, Bapa Nagar, Dr. Zakhir Hussain Marg, New Delhi-110003	02.07.2016	1.MTNL STPI IT Services Ltd. – Director
5	Navneet Gupta, Government Nominee Director JS(A), DOT, 08478052	48	Service	Flat No. 704, Tower 23, CWG Village, Delhi – 110092	11.06.2019	1. Bharat Sanchar Nigam Limited (BSNL)- Director
6.	Amitabh Ranjan Sinha, Government Nominee Director DDG (Finance & FIPP), DoT		Service	Appointed vide DoT letter No. E-5-4/2019-PSA dated 26th November 2020		

To the best of the knowledge of MTNL, Names of none of the current directors are appearing in the RBI defaulter list and/or ECGC default list

(ii) DETAILS OF CHANGE IN DIRECTORS SINCE LAST THREE YEARS:

Sr. No	Name, Designation and DIN	Date of Appointment/Resignation	Director of Company Since (in case of Resignation)
1.	P.K. Purwar, CMD 06619060	Was given additional charge of CMD w.e.f. 15/04/2020 Resigned as CMD on 15/07/2019	01/06/2013

2.	Sunil Kumar, Director (HR & EB) 06628803	Relinquished additional charge of CMD w.e.f. 15/04/2020 Held additional charge of CMD w.e.f 24/07/2019 21/06/2013 (Director since)	
3.	Milind Vijay Joshi, Director (Finance) 08273959	05/11/2018,	Retired on Superannuation 30/09/2020
4.	Tiakala Lynda Yaden, Govt Nominee Director 07522884	24/09/2019	19/05/2016
5.	R.K. Khandelwal, Govt Nominee Director 02861350	30/05/2019	11/10/2018
6.	Navneet Gupta, Govt Nominee Director 08478052	11/06/2019	
7.	Amit Yadav, Govt Nominee Director 06491798	22/10/2018	05/03/2016
8.	Chinmay Basu, Independent Director 02105505	26/10/2017	25/10/2020
9.	K.B. Gokulchandran, Independent Director 07969005	26/10/2017	25/10/2020
10.	G.Padmaja Reddy, Independent Director 06464905	26/10/2017	25/10/2020
11.	Suneeta Trivedi, Independent Director 06742087	26/10/2017	25/10/2020
12.	Ashok Mittal, Independent Director 06581045	31/01/2020	23/12/2015
13.	Rakesh Nangia, Independent Director 00147386	31/01/2020	23/12/2015
14.	Mahmood Ahmed, Govt Nominee Director 07694375	02/07/2020	26/11/2020
15.	Amitabh Ranjan Sinha, Government Nominee Director	Appointed vide DoT letter No. E-5-4/2019-PSA dated 26th November 2020	

(F) FOLLOWING DETAILS REGARDING THE AUDITORS OF THE COMPANY:-

(i) DETAILS OF THE AUDITOR OF THE COMPANY FOR THE LAST THREE FINANCIAL YEARS -

Name	Address	FINANCIAL YEAR	Date of Appointment
M/s Kumar Vijay Gupta & Co.,	408, New Delhi House, Barakhamba Road, Connaught Place, New Delhi- 110001, Phone: 011-23314525/26,45562649	2019-20	01st September 2016
M/s Vinod Kumar & Associates,	4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj, New Delhi – 110002 Phone : 011-23288101		01st August 2019
M/s Kumar Vijay Gupta & Co.,	408, New Delhi House, Barakhamba Road, Connaught Place, New Delhi- 110001, Phone: 011-23314525/26,45562649	2018-19	01st September 2016
M/s Mehra Goel & Co.,	505, Chiranjiv Tower, 43 Nehru Place, New Delhi-110019 Phone: 011- 26419527, 26430349 Fax: 011- 26217981		30th June 2015
M/s Kumar Vijay Gupta & Co.,	408, New Delhi House, Barakhamba Road, Connaught Place, New Delhi- 110001, Phone: 011-23314525/26,45562649	2017-18	01st September 2016
M/s Mehra Goel & Co.,	505, Chiranjiv Tower, 43 Nehru Place, New Delhi-110019 Phone: 011- 26419527, 26430349 Fax: 011- 26217981		30th June 2015

(ii) DETAILS OF CHANGE IN AUDITOR SINCE LAST THREE YEARS, AS AT 30.11.2020 :-

Name	Address	Date of Appointment / Resignation	Auditor of the Company for Financial Year (in case of Resignation)	Remarks (Appointment Ref no.)
M/s Vinod Kumar & Associates,	4696, Brij Bhawan, 21A, Ansari Road, Darya Ganj, New Delhi – 110002 Phone : 011-23288101 26430349 Fax: 011- 26217981	**01st August 2019**		**CA. V/COY/Central Government, MTNL (2)/126 dated 01.08.2019**
SPMG & COMPANY	3322A, 2ND FLOOR, BANK STREET, KAROL BAGH, NEW DELHI – 110005 011-28728769	**28th September 2020**		**CA. V/COY/Central Government, MTNL (2)/7 dated 07.08.2020**

G) DETAILS OF BORROWINGS OF THE COMPANY, AS ON THE Period (30.11.2020)

i) DETAILS OF SECURED LOAN FACILITIES AS ON 30.11.2020

Lender's Name	Type of Facility	Original sanctioned limit (in Rs Crs)	Principal Amount Outstanding (in Rs Crs)	Repayment date/Schedule	Security
Union Bank of India 2000	Term Loan	2,000.00	1,700.00	100 Crores/quarter (4 Instalments)From May-21 to Feb-22. 150 Crores/quarter (8 Instalments)From May-22 to	All Moveable Fixed and Current Assets+

				Feb-24 50 Crores in May-24 and 99.63 crore in Aug-24	Letter of Comfort
Andhra Bank 1000	Term Loan	1,000.00	850.00	50 Crores/quarter (4 Instalments)From Jun-21 to Mar-22. 75 Crores/quarter (8 Instalments)From Jun-22 to Mar-24 25 Crores in Jun-24 and 52.22 crore in Sep-24	All Moveable Fixed and Current Assets+ Letter of Comfort
Corporation Bank 1000	Term Loan	1,000.00	862.50	12.5 crore in Mar-21, 25 Crores/quarter (4 Instalments)From Jun-21 to Mar-22. 37.5 Crores/quarter (8 Instalments)From Jun-22 to Mar-24 6.25 Crores in Jun-24 and 27.84 crore in Sep-24 12.5 crore in Jan-21, & Apr-21 25 Crores/quarter (4 Instalments)From Jul-21 to Apr-22. 37.5 Crores/quarter (8 Instalments)From Jul-22 to Apr-24 6.25 Crores in Jul-24 and 28.43 crore in oct-24	All Moveable Fixed and Current Assets+ Letter of Comfort
State Bank of India 1800	Term Loan	1,800.00	1,530.00	Rs 45 crore in Jun-21 & Sep-21 90 Crores/quarter (4 Instalments)From Dec-21 to Sep-22. 135 Crores/quarter (8 Instalments)From Dec-22 to Sep-24 Rs 44.54 in Sep-24	All Moveable Fixed and Current Assets+ Letter of Comfort
Punjab & Sindh Bank 500	Term Loan	500.00	437.50	12.5 Crores/quarter (3 Instalments)From Apr-21 to Oct-21. 25 Crores/quarter (4 Instalments)From Jan-22 to Oct-22. 37.5 Crores/quarter (8 Instalments)From Jan-23 to Oct-24 Rs 12.79 crores in Oct-24	All Moveable Fixed and Current Assets+ Letter of Comfort

United Bank 300	Term Loan	300.00	258.97	7.5 Crores/quarter (2 Instalments)From Jun-21 to Sep-21. 15 Crores/quarter (4 Instalments)From Dec-21 to Sep-22. 22.5 Crores/quarter (8 Instalments)From Dec-22 to Sep-24 Rs 12.07 in Sep-24	All Moveable Fixed and Current Assets+ Letter of Comfort
Oriental Bank of Commerce 500	Term Loan	500.00	459.07	12.5 Crores/quarter (5 Instalments)From Jun-21 to Jun-22. 25 Crores/quarter (4 Instalments)From Sep-22 to Jun-23. 37.5 Crores/quarter (8 Instalments)From Sep-23 to Jun-25 Rs 10.55 in Jun-25	All Moveable Fixed and Current Assets+ Letter of Comfort
Punjab & Sindh Bank 200	Term Loan	200.00	190.00	5 Crores/quarter (6 Instalments)From May-21 to Aug-22. 10 Crores/quarter (4 Instalments)From Nov-22 to Aug-23. 15 Crores/quarter (8 Instalments)From Nov-23 to Aug-25 Rs 5.76 in Aug-25	Letter of Comfort
Bank of India LCB 500	Term Loan	500.00	475.00	12.5 Crores/quarter (6 Instalments)From Jun-21 to Sep-22. 25 Crores/quarter (4 Instalments)From Dec-22 to Sep-23. 37.5 Crores/quarter (8 Instalments)From Dec-23 to Sep-25 Rs 13.96 in Sep-25	All Moveable Fixed and Current Assets+ Letter of Comfort
UCO bank 500	Term Loan	500.00	487.50	12.5 Crores/quarter (7 Instalments)From May-21 to Nov-22. 25 Crores/quarter (4 Instalments)From Feb-23 to Nov-23. 37.5 Crores/quarter (8	All Moveable Fixed and Current Assets+ Letter of Comfort

				Instalments)From Feb-24 to Nov-25 Rs 13.59 in Nov-25	
Andhra Bank 300	Term Loan	300.00	292.50	7.5 Crores/quarter (8 Instalments)From Feb-21 to May-22. 15 Crores/quarter (4 Instalments)From Aug-22 to May-23. 22.5 Crores/quarter (8 Instalments)FromAug-23 to May-25 Rs 7.5 & Rs 9.07 in Aug-25	All Moveable Fixed and Current Assets+ Letter of Comfort
Corporation Bank,500	Term Loan	500.00	500.00	12.5 Crores/quarter (8 Instalments)From Dec-20 to Sep-22. 25 Crores/quarter (4 Instalments)From Dec-22 to Sep-23. 37.5 Crores/quarter (8 Instalments)From Dec-23 to Sep-25 Rs 23.91 in Sep-25	Letter of Comfort
BANK OF BARODA 750	Term Loan	750.00	750.00	Repayment due in 20 instalments spread From Jun-21 to Mar-26. 18.75 Crores/quarter (8 Instalments)From Jun-21 to Mar-23. 37.5 Crores/quarter (4 Instalments)From Jun-23 to Mar-24. 56.25 Crores/quarter (8 Instalments)From Jun-24 to Mar-26 Rs 17.79 in Mar-26	Land Mortage +Letter of Comfort
SBI 500	Term Loan	500.00	250.00	Rs 125 crore in Dec-22,Rs 140.31 crore in Mar-23	All Moveable Fixed and Current Assets+ Letter of Comfort
Indian Bank 500	Term Loan	500.00	500.00	Rs 125 crore in Jan-22,Apr-22,Jul-22 & Rs 140.05 in Oct-22.	Land Mortage +Letter of Comfort
BANK OF INDIA CGO	Term Loan	500.00	500.00	Repayment due in 20 instalments spread From	Land Mortage

500				Feb-22 to Nov-26 12.5 Crores/quarter (8 Instalments)From Feb-22 to Nov-23. 25 Crores/quarter (4 Instalments)From Feb-24 to Nov-24. 37.5 Crores/quarter (8 Instalments)From Feb-25 to Nov-26. Rs 7.96 in Nov-26	+Letter of Comfort
LTL Total		**11,350.00**	**10,043.04**		

Note: - 1. MTNL has availed benefit of deferment of interest/Instalment/repayment of loan till August 31, 2020 as per RBI notification regarding covid-19 package dated 23.05.2020 and 27.03.2020

ii) DETAILS OF UNSECURED LOAN FACILITIES AS ON 30.11.2020

Lender's Name	Type of Facility	Original sanctioned limit	Principal Amount Outstanding	Repayment date/Schedule
Bank of India	Short Term Loan	500.00	500.00	15-Mar-21
Punjab & Sind Bank	Short Term Loan	300.00	300.00	28-Jun-21
Union Bank of India	Overdraft	2,000.00	1,987.77	13-Oct-20
Oriental Bank of Commerce	Overdraft	200.00	126.88	19-Oct-21
Syndicate Bank	Overdraft	300.00	0.11	31-Mar-21
Corporation Bank	Overdraft	250.00	184.85	13-Oct-20
Bank of Baroda	Overdraft	1,000.00	782.68	07-Nov-20
Bank of India	Overdraft	500.00	491.63	21-Jan-21
Indian Overseas Bank	Overdraft	1,700.00	1,700.00	20-May-21
Indian Overseas Bank	Overdraft	700.00	581.40	20-May-21
Total		**7,350.00**	**6,655.31**	

Note: -

1. MTNL has availed benefit of deferment of interest/Installment/repayment of loan till August 31, 2020 as per RBI notification regarding covid-19 package dated 23.05.2020 and 27.03.2020

iii) DETAILS OF NCDS :- AS ON 30.11.2020

Debenture Series	Tenor/period of Maturity	Coupon	Amount (in Rs Crs)	Date of Allotment	Redemption on Date/Schedule	Credit Rating	Secured/ Unsecured	Security
I	10 years	8.57%	1,005.00	28.03.2013	28.03.2023	CARE AAA CE/Stable and CRISIL AAA CE/Stable	Unsecured	NA
II	10 years	9.38%	1,975.00	05.12.2013	05.12.2023			
III	10 years	9.39%	765.00	26.03.2014	26.03.2024			
IV-A	10 years	8.24%	1400.00	19.11.2014	19.11.2024			
IV-B	10 years	8.28%	100.00					
IV-C	10 years	8.24%	0.07					
IV-D	10 years	8.29%	2,268.90	28.11.2014	28.11.2024			
V	10 years	7.05%	4,361.40	12.10.2020	11.10.2030	CARE AAA CE/Stable , CRISIL AAA CE/Stable and BWR AAA CE/stable		
Total			**11,875.37**					

iv) LIST OF TOP 10 DEBENTURE HOLDERS (AS ON 30.11.2020)

S.No	Name	No. of Bonds (face value 10,00,000 each)	Total Holding (Amount in Rs.)
1	CBT-EPF-05-F-DM	8231	8231000000.00
2	CBT-EPF-05-F-DM	5687	5687000000.00
3	EMPLOYEES' STATE INSURANCE CORPORATION A/C NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED	5100	5100000000.00
4	PUNJAB NATIONAL BANK	5000	5000000000.00
5	STATE BANK OF INDIA	5000	5000000000.00
6	EMPLOYEES' STATE INSURANCE CORPORATION A/C NIPPON LIFE INDIA ASSET MANAGEMENT LIMITED	4350	4350000000.00
7	CBT-EPF-05-F-DM	3751	3751000000.00
8	CBT-EPF-05-E-DM	3533	3533000000.00
9	POSTAL LIFE INSURANCE FUND A/C NLI AML	3500	3500000000.00
10	EMPLOYEES' STATE INSURANCE CORPORATION A/C UTI ASSET MANAGEMENT COMPANY LIMITED	3440	3440000000.00

v) THE AMOUNT OF CORPORATE GUARANTEE ISSUED BY THE ISSUER ALONG WITH NAME OF THE COUNTERPARTY (LIKE NAME OF THE SUBSIDIARY, JV ENTITY, GROUP COMPANY, ETC) ON BEHALF OF WHOM IT HAS BEEN ISSUED.

LIST OF BANK GURANTEES							
S.No.	BG No.	Beneficiary Name	Open Date	Exp Date	Claim Exp Date	Value of BG (in Rs.)	Purpose of BG
NO Corporate Guarantee in currency							

vi) DETAILS OF COMMERCIAL PAPER:- THE FACE VALUE OF COMMERCIAL PAPERS OUTSTANDING AS ON THE LATEST QUARTER END (30.09.2020) TO BE PROVIDEDAND ITS BREAKUP IN FOLLOWING TABLE:

Maturity date	Amount outstanding
NIL	NIL

vii) DETAILS OF REST OF THE BORROWING (IF ANY INCLUDING HYBRID DEBT LIKE FCCB, OPTIONALLY CONVERTIBLE DEBENTURES / PREFERENCE SHARES) AS ON 30.11.2020:-

Party Name (in case of Facility) / Instrument Name	Type of Facility / Instrument	Amount Sanctioned / Issued	Principal Amt outstanding	Repayment Date / Schedule	Credit Rating	Secured / Unsecured	Security
NIL	NIL	NIL	NIL	NIL	NIL	NIL	NIL

viii) DETAILS OF ALL DEFAULT/S AND/OR DELAY IN PAYMENTS OF INTEREST AND PRINCIPAL OF ANY KIND OF TERM LOANS, DEBT SECURITIES AND OTHER FINANCIAL INDEBTEDNESS INCLUDING CORPORATE GUARANTEE ISSUED BY THE COMPANY, IN THE PAST 5 YEARS.

No DEFAULT/S AND/OR DELAY IN PAYMENTS OF INTEREST AND PRINCIPAL OF ANY KIND OF TERM LOANS, DEBT SECURITIES AND OTHER FINANCIAL INDEBTEDNESS INCLUDING CORPORATE GUARANTEE ISSUED BY THE COMPANY, IN THE PAST 5 YEARS

ix) DETAILS OF ANY OUTSTANDING BORROWINGS TAKEN/ DEBT SECURITIES ISSUED WHERE TAKEN / ISSUED (I) FOR CONSIDERATION OTHER THAN CASH, WHETHER IN WHOLE OR PART, (II) AT A PREMIUM OR DISCOUNT, OR (III) IN PURSUANCE OF AN OPTION;

No OUTSTANDING BORROWINGS TAKEN/ DEBT SECURITIES ISSUED WHERE TAKEN / ISSUED (I) FOR CONSIDERATION OTHER THAN CASH, WHETHER IN WHOLE OR PART, (II) AT A PREMIUM OR DISCOUNT, OR (III) IN PURSUANCE OF ANOPTION

H) DETAILS OF PROMOTERS OF THE COMPANY:-

i. DETAILS OF PROMOTER HOLDING IN THE COMPANY AS ON LATEST QUARTER ENDED 30.09.2020:-

Sl. No.	Name of the Shareholders	No. of Equity Shares	No. of shares in demat form	Shareholding as % of no. of equity shares	No. of Shares Pledged	% of Shares pledged with respect to shares owned
1.	PRESIDENT OF INDIA	35,43,78,740	35,43,78,740	56.2506	NA	NA

I) ABRIDGED VERSION OF AUDITED CONSOLIDATED (WHEREVER AVAILABLE) AND STANDALONE FINANCIAL INFORMATION (LIKE PROFIT & LOSS STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT) FOR AT LEAST LAST THREE YEARS AND AUDITOR QUALIFICATIONS , IF ANY.

CONSOLIDATED FINANCIAL INFORMATION FOR LAST 3 YEARS

i) **Profit & Loss Account**

Particulars	**For the year ended March 31, 2020 (Audited)**	**For the year ended March 31, 2019 (Audited)**	**For the year ended March 31, 2018 (Audited)**
Revenue from Operation	1,623.55	2,085.41	2,471.86
Other income	693.04	636.09	745.34
Total revenue	**2,316.59**	**2,721.50**	**3,217.20**
Purchases of Stock in Trade	2.49	1.96	6.70
Employee's cost	2,128.18	2,275.34	2,448.79
Revenue sharing	117.60	181.09	173.07
License fees	169.87	187.91	191.36
Operative & other administrative expenses	663.84	756.16	809.33
Finance costs	1,941.66	1,703.18	1,505.49
Depreciation & amortization	985.84	1,002.42	1,053.50
Total expenditure	**6,009.48**	**6,108.05**	**6,188.22**
Profit/ (loss) before share of net profits of investments accounted for using equity method and tax	**(3,692.89)**	**(3,386.55)**	**(2,971.02)**
Share of profit/(loss) in investments accounted for using equity method	0.23	(0.64)	0.57
Profit/ (loss) before tax	**(3,692.66)**	**(3,387.20)**	**(2,970.46)**
Provision for tax/deferred tax/Tax Expense	1.07	0.88	0.90
Profit after tax	**(3,693.73)**	**(3,388.07)**	**(2,971.35)**
Exceptional items			
Prior period adjustments (net)			
Discontinuing operations			0.42
Profit/(loss) for the period	**(3,693.73)**	**(3,388.07)**	**(2,970.93)**
Other comprehensive income	(120.44)	(7.75)	**12.78**
Profit/(loss) for the period	**(3,814.17)**	**(3,395.82)**	**(2,958.15)**

ii) **Balance Sheet**

Particulars	**For the year ended March 31, 2020 (Audited)**	**For the year ended March 31, 2019 (Audited)**	**For the year ended March 31, 2018 (Audited)**
Non-current assets			
(a) Property, Plant and Equipment	3,579.11	4,329.56	4,687.53
(b) Capital work-in-progress	328.08	320.04	330.98
(c) Right-of-Use Asset	503.66	-	
(d) Investment Property	39.80	34.96	35.36
(e) Other Intangible assets	2,766.21	3,101.90	3,440.70
(f) Financial Assets			
(i) Investments	3.51	3.73	4.37
(ii) Loans and advances	202.67	192.34	1,653.40

(iii) Others	0.63	1.74	10.81
(g) Deferred tax assets (net)			
(h) Other non-current assets	23.85	230.31	369.33
(i) Non Current Tax Asset	707.36	724.43	715.53
Current assets			
(a) Inventories	19.32	24.98	25.41
(b) Financial Assets			
(i) Investments			
(ii) Trade Receivables	628.96	611.48	425.40
(iii) Cash and cash equivalents	196.60	119.58	105.33
(iv) Bank Balances other than (iii) Above	13.02	20.42	11.41
(v) Loans and advances	3,545.35	3,390.02	2,953.89
(vi) Other Financial Assets	3,492.91	900.04	886.92
(c) Current Tax Assets (net)	0.29	0.33	0.31
(c) Other current assets	636.68	698.36	634.41
Asset held for sale	0.05	0.29	0.09
Total Assets	**16,688.06**	**14,704.51**	**16,291.19**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	630.00	630.00	630.00
(b) Other Equity	(14,212.10)	(10,357.83)	(6,962.01)
LIABILITIES			
Non-Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	12,554.15	11,431.59	10,292.71
(ii) Lease Liabilities	221.74	40.57	
(iii) Other Financial Liabilities (other than b)	199.97	323.81	1,995.55
(b) Provisions	240.12	911.72	1,049.67
(c) Deferred tax liabilities (Net)	6.75	6.34	5.71
(d) Other Non Current liabilities	120.84	146.32	193.92
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	9,296.42	7,620.35	6,382.09
(ii) Lease Liabilities	104.04	4.65	
(iii) Trade Payables			
(A) total outstanding dues of micro enterprises and small enterprises	47.13	5.35	
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	748.88	528.09	428.78
(iv) Other Financial Liabilities (other than c)	5,896.90	2,263.49	1,342.40
(b) Other current liabilities	653.40	765.51	598.09
(c) Provisions	179.82	384.55	334.30
(d) Current Tax Liabilities (Net)			
Total Equity and Liabilities	**16,688.06**	**14,704.51**	**16,291.19**

iii) **Cash Flow Statement**

Particulars	For the year ended March 31, 2020 (Audited)	For the year ended March 31, 2019 (Audited)	For the year ended March 31, 2018 (Audited)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	**(3,692.66)**	**(3,387.20)**	**(2,970.03)**
Adjustments for:			
Depreciation expense	650.12	665.40	716.43
Amortisation expense	335.72	337.02	337.07
(Gain)/ Loss on disposal of property, plant and equipment (net)	(0.77)	15.96	1.44
Share of profit from associates and joint ventures	(0.23)	0.64	(0.57)
Interest income	(143.24)	(95.72)	(262.03)
Excess provisions written back	(157.35)	(107.12)	(182.77)
Loss of assets	2.33	1.41	10.90
Provision for doubtful debts including discount	64.50	9.65	21.06
Provision for obsolete inventory	3.01	1.35	0.75
Provision for doubtful claims	1.08	2.29	6.66
Provision for abandoned work capital work in progress			13.05
Remeasurement gains and loss on employee benefit obligations	(115.32)	(7.39)	2.38
Finance costs	1,941.66	1,703.18	1,505.49
Bad debts recovered	(0.08)	(0.33)	(0.06)
Bad debts written off	15.23	18.32	22.73
Operating loss before working capital changes	**(1,096.00)**	**(842.52)**	**(777.50)**
Movement in working capital			
Decrease/(increase) in loans	(114.37)	1,101.54	1,150.63
(Increase)/decrease in inventories	0.31	(2.32)	(21.59)
Increase in other financial assets	(2,594.46)	(13.08)	(43.54)
Decrease in other assets	267.93	74.84	2.78
Decrease/(increase) in trade and other receivables	(97.21)	(213.07)	23.26
Increase/(decrease) in other financial liabilities	3,011.71	(1,058.53)	(54.06)
(Decrease)/increase in other liabilities	(137.70)	119.44	(121.61)
Increase in provisions, trade and other payables	(462.31)	109.90	62.11
Cash flows from/(used in) operating activities post working capital changes	**(1,222.10)**	**(723.79)**	**220.49**
Income tax (paid)/refunds (net)	16.46	(9.16)	(65.79)
Net cash used in operating activities (A)	**(1,205.64)**	**(732.95)**	**154.70**

CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(142.55)	(310.46)	(511.77)
Movement in fixed deposits (net)	8.51	0.06	14.88
Interest received	90.80	13.44	4.82
Net cash used in investing activities (B)	**(43.24)**	**(296.96)**	**(492.07)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and repayment of long-term borrowings (net)	1,594.24	1,477.39	3,345.06
Proceeds and repayment of short-term borrowings (net)	1,676.07	1,238.26	(1,528.16)
Finance cost paid	(1,880.68)	(1,671.49)	(1,472.26)
Payment towards lease liabilities	(63.73)	-	-
Net cash flows from financing activities (C)	**1,325.90**	**1,044.16**	**344.64**
Decrease in cash and cash equivalents (A+B+C)	77.02	14.25	7.27
Cash and cash equivalents at the beginning of the year	119.58	105.34	98.07
Cash and cash equivalents at the end of the year	**196.60**	**119.58**	**105.34**

iv) **<u>Auditor's Report for last 3 years</u>**

Please refer **ANNEXURE III (a)**

STANDALONE FINANCIAL INFORMATION FOR LAST 3 YEARS

i) Profit & Loss Account

Particulars	For the year ended March 31, 2020 (Audited)	For the year ended March 31, 2019 (Audited)	For the year ended March 31, 2018 (Audited)
Revenue from Operation	1536.36	1987.80	2371.91
Other income	690.66	618.91	744.51
Total revenue	**2227.02**	**2606.71**	**3116.42**
Purchases of Stock in Trade			5.88
Employee's cost	2124.45	2272.03	2445.79
Revenue sharing	99.14	162.18	151.69
License fees	159.18	176.55	182.54
Operative & other administrative expenses	626.44	699.27	769.80
Finance costs	1941.54	1703.18	1505.49
Depreciation & amortization	971.95	983.70	1028.68
Total expenditure	**5922.70**	**5996.91**	**6089.87**
Profit/ (loss) before prior period, exceptional items & tax	**(3695.68)**	**(3390.20)**	**(2973.45)**
Provision for tax/deferred tax			
Profit after tax	**(3695.68)**	**(3390.20)**	**(2973.45)**
Exceptional items			
Prior period adjustments (net)			
Discontinuing operations			0.42
Profit/(loss) for the period	**(3695.68)**	**(3390.20)**	**(2973.03)**
Other comprehensive income	(115.32)	(7.39)	2.38
Profit/(loss) for the period	**(3811.00)**	**(3397.58)**	**(2970.65)**

ii) Balance Sheet

Particulars	For the year ended March 31, 2020 (Audited)	For the year ended March 31, 2019 (Audited)	For the year ended March 31, 2018 (Audited)
Non-current assets			
(a) Property, Plant and Equipment	3,486.96	4,233.78	4,575.15
(b) Capital work-in-progress	328.08	320.04	330.98
(c) Right-of-Use Asset	503.16	-	-
(d) Investment Property	31.43	25.74	25.57
(e) Other Intangible assets	2,766.21	3,101.90	3,439.27
(f) Financial Assets			
(i) Investments	106.13	106.13	106.13
(ii) Loans and advances	202.34	192.02	1,653.12
(iii) Others	0.63	1.74	10.81
(g) Deferred tax assets (net)			
(h) Other non-current assets	23.85	230.31	369.33
(i) Non Current Tax Asset	706.98	723.71	714.82
Current assets			
(a) Inventories	18.54	24.17	24.61
(b) Financial Assets			

(i) Investments	-	-	-
(ii) Trade Receivables	620.74	603.86	424.27
(iii) Cash and cash equivalents	142.68	74.85	54.37
(iv) Bank Balances other than (iii) Above	13.02	20.42	11.41
(v) Loans and advances	3,545.20	3,390.42	2,954.37
(vi) Other Financial Assets	3,492.91	899.90	886.66
(c) Other current assets	631.32	692.31	632.86
Asset held for sale	35.90	36.14	35.94
Total Assets	**16,656.08**	**14,677.44**	**16,249.66**
EQUITY AND LIABILITIES			
Equity			
(a) Equity Share Capital	630.00	630.00	630.00
(b) Other Equity	(14,215.65)	(10,364.94)	(6,967.35)
LIABILITIES			
Non-Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	12,554.15	11,431.58	10,292.71
(ii) Lease Liabilities	221.03	40.57	
(iii) Other Financial Liabilities (other than b)	199.97	323.81	1,995.55
(b) Provisions	240.12	911.72	1,049.67
(c) Deferred tax liabilities (Net)			
(d) Other Non Current liabilities	120.61	146.10	193.70
Current Liabilities			
(a) Financial Liabilities			
(i) Borrowings	9,296.42	7,620.36	6,382.09
(ii) Lease Liabilities	103.91	4.65	
(iii) Trade Payables			428.80
(A) total outstanding dues of micro enterprises and small enterprises	47.13	5.35	
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	735.19	524.38	
(iv) Other Financial Liabilities (other than c)	5,891.44	2,256.09	1,335.46
(b) Other current liabilities	652.75	764.02	592.26
(c) Provisions	179.01	383.75	316.78
(d) Current Tax Liabilities (Net)			
Total Equity and Liabilities	**16,656.08**	**14,677.44**	**16,249.67**

iii) Cash Flow Statement

Particulars	For the year ended March 31, 2020 (Audited)	For the year ended March 31, 2019 (Audited)	For the year ended March 31, 2018 (Audited)
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before tax	**(3,695.68)**	**(3,390.20)**	**(2,973.03)**
Adjustments for:			
Depreciation expense	636.23	646.68	691.61
Amortisation expense	335.72	337.02	337.07
(Gain)/ Loss on disposal of property, plant and equipment (net)	(0.77)	1.02	1.44
Dividend income	(1.68)	2.91	(2.71)
Interest income	(142.34)	(94.80)	(261.23)
Excess provisions written back	(157.09)	(90.54)	(181.66)
Provision for doubtful debts including discount	64.50	9.65	21.06
Provision for obsolete inventory	3.01	1.35	0.75
Provision for doubtful claims	0.91	2.12	6.39
Loss of assets	2.33	1.41	10.90
Provision for abandoned work capital work in progress			13.05
Remeasurement gains and loss on employee benefit obligations	(115.32)	(7.39)	2.38
Finance costs	1,941.54	1,703.18	1,505.49
Bad debts recovered	(0.08)	(0.33)	(0.06)
Bad debts written off	15.23	18.32	22.73
Operating loss before working capital changes	**(1,113.49)**	**(859.58)**	**(805.81)**
Movement in working capital			
Decrease/(increase) in loans	(113.57)	1,105.20	1,138.92
(Increase)/decrease in inventories	0.29	(2.32)	(21.19)
Increase in other financial assets	(2,593.01)	(13.24)	(42.94)
Decrease in other assets	267.46	79.57	2.70
Decrease/(increase) in trade and other receivables	(96.54)	(207.22)	23.58
Increase/(decrease) in other financial liabilities	3,015.96	(1,062.43)	(54.03)
(Decrease)/increase in other liabilities	(136.76)	124.14	(125.50)
Increase in provisions, trade and other payables	(472.20)	106.83	68.42
Cash flows from/(used in) operating activities post working capital changes	**(1,241.86)**	**(729.05)**	**184.14**
Income tax (paid)/refunds (net)	16.73	(8.89)	(65.77)
Net cash used in operating activities (A)	**(1,225.13)**	**(737.94)**	**118.37**

CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(133.26)	(295.40)	(491.30)
Movement in fixed deposits (net)	8.51	0.06	(11.06)
Dividend received	1.68	(2.91)	2.71
Interest received	89.89	12.52	4.02
Net cash used in investing activities (B)	**(33.18)**	**(285.74)**	**(495.63)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds and repayment of long-term borrowings (net)	1,594.24	1,477.39	3,345.06
Proceeds and repayment of short-term borrowings (net)	1,676.07	1,238.26	(1,528.16)
Finance cost paid	(1,880.68)	(1,671.49)	(1,472.26)
Payment towards lease liabilities	(63.49)	-	
Net cash flows from financing activities (C)	**1,326.14**	**1,044.16**	**344.64**
Decrease in cash and cash equivalents (A+B+C)	67.83	20.48	(32.62)
Cash and cash equivalents at the beginning of the year	74.85	54.37	87.00
Cash and cash equivalents at the end of the year	**142.68**	**74.85**	**54.38**

iv) **Auditor's Report for last 3 years**
Please refer **ANNEXURE III (b)**

For detailed financials, visit below links

1. http://mtnl.in/aufr.pdf
2. http://mtnl.in/annualreport.pdf
3. http://mtnl.in/ar17_18.pdf
4. http://mtnl.in/ar_2016-17.pdf

J) ABRIDGED VERSION OF LATEST AUDITED / LIMITED REVIEW HALF YEARLY CONSOLIDATED (WHEREVER AVAILABLE) AND STANDALONE FINANCIAL INFORMATION (LIKE PROFIT & LOSS STATEMENT, AND BALANCE SHEET) AND AUDITORS QUALIFICATIONS, IF ANY

FINANCIAL INFORMATION FOR LATEST AUDITED / LIMITED REVIEW HALF YEARLY CONSOLIDATED

i) **Profit & Loss Account**

Particulars	**For the Half year ended September 30, 2020 (Audited)**
Revenue from Operation	710.99
Other income	219.68
Total revenue	**930.67**
Purchases of Stock in Trade	1.81
Employee's cost	278.40
Revenue sharing	48.22
License fees	69.53
Operative & other administrative expenses	252.06
Finance costs	1035.57
Depreciation & amortization	467.17
Total expenditure	**2,152.76**
Profit/ (loss) before share of net profits of investments accounted for using equity method and tax	**(1,222.08)**
Share of profit/(loss) in investments accounted for using equity method	0.67
Profit/ (loss) before tax	**(1,221.41)**
Provision for tax/deferred tax/Tax Expense	
Profit after tax	**(1,221.41)**
Exceptional items	
Prior period adjustments (net)	
Discontinuing operations	
Profit/(loss) for the period	**(1,221.41)**
Other comprehensive income	(3.47)
Profit/(loss) for the period	**(1,224.87)**

ii) **Balance Sheet**

Particulars	**For the Half year ended September 30, 2020 (Audited)**
Non-current assets	
(a) Property, Plant and Equipment	3,412.81
(b) Capital work-in-progress	239.14
(c) Right-of-Use Asset	475.79
(d) Investment Property	39.17
(e) Other Intangible assets	2,598.61
(f) Financial Assets	
(i) Investments	4.18
(ii) Loans and advances	265.66

(iii) Others	1.14
(g) Deferred tax assets (net)	
(h) Other non-current assets	26.23
(i) Non Current Tax Asset	635.55
Current assets	
(a) Inventories	13.29
(b) Financial Assets	
(i) Investments	
(ii) Trade Receivables	877.00
(iii) Cash and cash equivalents	98.23
(iv) Bank Balances other than (iii) Above	36.08
(v) Loans and advances	3,539.64
(vi) Other Financial Assets	997.68
(c) Current Tax Assets (net)	0.29
(c) Other current assets	646.65
Asset held for sale	0.07
Total Assets	**13,907.19**
EQUITY AND LIABILITIES	
Equity	
(a) Equity Share Capital	630.00
(b) Other Equity	(15,437.07)
LIABILITIES	
Non-Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	12,581.17
(ii) Lease Liabilities	202.48
(iii) Other Financial Liabilities (other than b)	213.56
(b) Provisions	246.54
(c) Deferred tax liabilities (Net)	6.58
(d) Other Non Current liabilities	108.97
Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	9,727.18
(ii) Lease Liabilities	76.16
(iii) Trade Payables	
(A) total outstanding dues of micro enterprises and small enterprises	52.20
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	782.77
(iv) Other Financial Liabilities (other than c)	3,794.33
(b) Other current liabilities	749.10
(c) Provisions	173.21
(d) Current Tax Liabilities (Net)	
Total Equity and Liabilities	**13,907.19**

iii) **Cash Flow Statement**

Particulars	**For the Half year ended September 30, 2020 (Audited)**
CASH FLOW FROM OPERATING ACTIVITIES	
Profit/(loss) before tax	**(1,221.41)**
Adjustments for:	
Depreciation expense	299.57
Amortisation expense	167.60
(Gain)/ Loss on disposal of property, plant and equipment (net)	0.08
Share of profit from associates and joint ventures	(0.67)
Interest income	(18.10)
Excess provisions written back	(2.45)
Loss of assets	1.47
Provision for doubtful debts including discount	22.39
Provision for obsolete inventory	2.60
Provision for doubtful claims	0.14
Provision for abandoned work capital work in progress	0.00
Remeasurement gains and loss on employee benefit obligations	0.00
Finance costs	1,035.57
Bad debts recovered	(0.01)
Bad debts written off	0.01
Operating loss before working capital changes	**286.79**
Movement in working capital	
Decrease/(increase) in loans	(48.61)
(Increase)/decrease in inventories	1.96
Increase in other financial assets	2,493.66
(Increase)/Decrease in other assets	(12.35)
Decrease/(increase) in trade and other receivables	(270.60)
Increase/(decrease) in other financial liabilities	(2,556.72)
(Decrease)/increase in other liabilities	83.67
Increase in provisions, trade and other payables	40.57
Cash flows from/(used in) operating activities post working capital changes	**18.38**
Income tax (paid)/refunds (net)	71.64
Net cash used in operating activities (A)	**90.03**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(13.13)
Movement in fixed deposits (net)	(23.56)
Interest received	9.25
Net cash used in investing activities (B)	**(27.44)**
CASH FLOWS FROM FINANCING ACTIVITIES	

Proceeds and repayment of long-term borrowings (net)	269.45
Proceeds and repayment of short-term borrowings (net)	430.76
Finance cost paid	(798.14)
Payment towards lease liabilities	(63.03)
Net cash flows from financing activities (C)	**(160.95)**
Decrease in cash and cash equivalents (A+B+C)	(98.37)
Cash and cash equivalents at the beginning of the year	196.60
Cash and cash equivalents at the end of the year	**98.23**

iv) **Auditor's Review Report**

Please refer **ANNEXURE III (C)**

FINANCIAL INFORMATION FOR LATEST AUDITED / LIMITED REVIEW HALF YEARLY STANDALONE

i) **Profit & Loss Account**

Particulars	**For the Half year ended September 30, 2020 (Audited)**
Revenue from Operation	673.33
Other income	218.33
Total revenue	**891.66**
Purchases of Stock in Trade	0.00
Employee's cost	276.69
Revenue sharing	37.10
License fees	64.57
Operative & other administrative expenses	237.31
Finance costs	1035.51
Depreciation & amortization	460.30
Total expenditure	**2111.47**
Profit/ (loss) before share of net profits of investments accounted for using equity method and tax	**(1,219.81)**
Share of profit/(loss) in investments accounted for using equity method	
Profit/ (loss) before tax	**(1,219.81)**
Provision for tax/deferred tax/Tax Expense	
Profit after tax	**(1,219.81)**
Exceptional items	
Prior period adjustments (net)	
Discontinuing operations	
Profit/(loss) for the period	**(1,219.81)**
Other comprehensive income	
Profit/(loss) for the period	**(1,219.81)**

ii) **Balance Sheet**

Particulars	**For the Half year ended September 30, 2020 (Audited)**
Non-current assets	
(a) Property, Plant and Equipment	3,328.82

(b) Capital work-in-progress	239.14
(c) Right-of-Use Asset	475.37
(d) Investment Property	31.26
(e) Other Intangible assets	2,598.61
(f) Financial Assets	
(i) Investments	106.13
(ii) Loans and advances	265.34
(iii) Others	1.14
(g) Deferred tax assets (net)	
(h) Other non-current assets	26.23
(i) Non Current Tax Asset	635.17
Current assets	
(a) Inventories	12.27
(b) Financial Assets	
(i) Investments	
(ii) Trade Receivables	868.06
(iii) Cash and cash equivalents	66.58
(iv) Bank Balances other than (iii) Above	11.67
(v) Loans and advances	3,539.49
(vi) Other Financial Assets	997.68
(c) Current Tax Assets (net)	
(c) Other current assets	641.74
Asset held for sale	35.92
Total Assets	**13,880.62**
EQUITY AND LIABILITIES	
Equity	
(a) Equity Share Capital	630.00
(b) Other Equity	(15,435.56)
LIABILITIES	
Non-Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	12,581.17
(ii) Lease Liabilities	201.72
(iii) Other Financial Liabilities (other than b)	213.56
(b) Provisions	246.54
(c) Deferred tax liabilities (Net)	
(d) Other Non Current liabilities	108.76
Current Liabilities	
(a) Financial Liabilities	
(i) Borrowings	9,727.18
(ii) Lease Liabilities	76.16
(iii) Trade Payables	
(A) total outstanding dues of micro enterprises and small enterprises	52.20
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	775.32
(iv) Other Financial Liabilities (other than c)	3,782.64
(b) Other current liabilities	748.37

(c) Provisions	172.57
(d) Current Tax Liabilities (Net)	
Total Equity and Liabilities	**13,880.62**

iii) **Cash Flow Statement**

Particulars	**For the Half year ended September 30, 2020 (Audited)**
CASH FLOW FROM OPERATING ACTIVITIES	
Profit/(loss) before tax	**(1,219.81)**
Adjustments for:	
Depreciation expense	292.70
Amortisation expense	167.60
(Gain)/ Loss on disposal of property, plant and equipment (net)	0.08
Share of profit from associates and joint ventures	0.00
Interest income	(17.71)
Excess provisions written back	(2.45)
Loss of assets	1.47
Provision for doubtful debts including discount	22.39
Provision for obsolete inventory	2.60
Provision for doubtful claims	0.10
Provision for abandoned work capital work in progress	0.00
Remeasurement gains and loss on employee benefit obligations	0.00
Finance costs	1,035.51
Bad debts recovered	(0.01)
Bad debts written off	0.01
Operating loss before working capital changes	**282.48**
Movement in working capital	
Decrease/(increase) in loans	(48.56)
(Increase)/decrease in inventories	2.20
Increase in other financial assets	2,495.24
(Increase)/Decrease in other assets	(12.81)
Decrease/(increase) in trade and other receivables	(269.71)
Increase/(decrease) in other financial liabilities	(2,561.34)
(Decrease)/increase in other liabilities	83.66
Increase in provisions, trade and other payables	47.01
Cash flows from/(used in) operating activities post working capital changes	**18.18**
Income tax (paid)/refunds (net)	71.81
Net cash used in operating activities (A)	**89.99**
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(14.96)
Movement in fixed deposits (net)	0.84

Interest received	8.87
Net cash used in investing activities (B)	**(5.25)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds and repayment of long-term borrowings (net)	269.45
Proceeds and repayment of short-term borrowings (net)	430.76
Finance cost paid	(798.14)
Payment towards lease liabilities	(62.91)
Net cash flows from financing activities (C)	**(160.84)**
Decrease in cash and cash equivalents (A+B+C)	(76.10)
Cash and cash equivalents at the beginning of the year	142.68
Cash and cash equivalents at the end of the year	**66.58**

iv) **Auditor's Report**

Please refer **ANNEXURE III (d)**

K) ANY MATERIAL EVENT / DEVELOPMENTS CHANGE HAVING IMPLICATIONS ON THE FINANCIALS/CREDIT QUALITY (E.G. ANY MATERIAL REGULATORY PROCEEDINGS AGAINST THE ISSUER/PROMOTERS, TAX LITIGATIONS RESULTING IN MATERIAL LIABILITIES, CORPORATE RESTRUCTURING EVENT ETC) AT THE TIME OF ISSUE WHICH MAY AFFECT THE ISSUE OR THE INVESTOR'S DECISION TO INVEST / CONTINUE TO INVEST IN THE DEBT SECURITIES INCLUDING FORWARD LOOKING STATEMENT.

The Union Cabinet in its meeting held on 23.10.2019 considered and approved the proposal to revive MTNL. The salient features of revival package and its status is as follows:

- VRS to employees of over 50 years of age - The employee strength of MTNL was 21,679 as on 01.04.2019, with an average age of 55 years. The staff cost was more than Rs. 2,200 cr which is 114% of the revenue in 2018-19 against the industry average of 4-5%. The Union Cabinet on 23.10.2019 approved the revival plan for MTNL, which included a very lucrative VRS offer on modified Gujarat formula for staff of age 50 years and above. MTNL VRS-2019 was introduced with effect from 04.11.2019 and remained in force till 03.12.2019. Out of the eligible 16,370 employees, 88% i.e. 14,387 employees (6,177: Delhi & 8,210: Mumbai) opted for VRS and have since been relieved from the organization on 31.01.2020. Post VRS and natural retirements thereon, MTNL is left with less than 4000 employees at present. Due to these measures total savings of Rs 1,500 Cr is expected in staff expenses in this financial year. Reduction in staff cost along with other measures taken for the revival of MTNL has started showing its positive outcomes with MTNL becoming **EBITDA positive consequently in last three quarters (Q4 of FY 2019-20, Q1 of FY 2020-21 and Q2 of FY 2020-21)**, after a period of more than 5 years.
- Administrative Allotment of 4G spectrum through capital infusion. Budgetary allotment of 4G spectrum is already made by GoI. Allocation of frequency/spectrum and CAPEX needs of MTNL for 4G are under review of DoT/GoI.
- Sovereign Guarantee for raising bonds for Rs 6,500 Crores with the tenure of 10 years for refinancing of existing borrowings and CAPEX funding. Out of which Bonds of Rs 4,361.40 Crores already raised vide MTNL Bond Series V on 12.10.2020. The remaining bonds of Rs 2,138.60 Crores are being raised through this Offer Document.
- Monetization of Tower and Fiber Assets using appropriate model including leasing after considering the market condition with the aim to maximize the returns. The process is going on and a consultant has been engaged for the same.
- MTNL has large pieces of real estate assets in Delhi & Mumbai. The Cabinet on 23.10.2019 approved the monetization of land/building assets of MTNL worth Rs. 23,007 Cr to be monetized in accordance with DIPAM guidelines. The target for monetization has been set as Rs 7,000 Cr each for FY 20-21 and FY 21-22. Properties identified for monetization have been processed. The Presidential approval for monetization has already been received. For the first Phase, properties having tentative market value of Rs 6,228 Cr, have been accepted by DIPAM in two categories - Mumbai (5 properties & 398 staff quarters) and Delhi (4 properties along with 7 SCOs & 96 staff quarters of Noida). In the Second Phase, 24 properties in Delhi and 18 properties in Mumbai having tentative market value of more than Rs. 10,000 cr have been selected for monetization. Further, the approval for the monetization of the Connaught place property of nearly 8,000 sq mt. has already been received. DIPAM has appointed International Property Consultants (IPC) for 5 assets and 20 staff quarters of Mumbai for the first phase of the properties. The consultants have already submitted the final feasibility reports and the process of sale of these properties has started and is in advanced stage. The monetisation of assets will help in reduction of debt and expansion & up gradation of network.
- In principle approval for merger of MTNL with BSNL over a period of two years is also accorded by the cabinet.

Legal Cases/Contingent liabiity pending against MTNL – Detail in this respect is placed at **Annexure XI**

Forward Looking Statement

1. **Launch of 4G Service:** As a part of revival package government has agreed for administrative allotment of spectrum for 4G service through capital infusion so that it is done in cash neutral manner. The GST on spectrum will also be funded by the government through budgetary support. To launch the services MTNL has shared its Schedule of requirements (SoR) with BSNL for inclusion of items in their phase IX tender so that competitive rates of equipments are received for MTNL also. MTNL plans to launch 4G service in Delhi and Mumbai by installing additional 7000 eNode B (Delhi 4000 and Mumbai 3000) using state of art technology.
2. **Synergy between BSNL and MTNL:** To reduce OPEX and CAPEX various steps to share N/W elements of BSNL and MTNL have already been taken and implemented or in various stage of implementation. Some of them are as below-
   - i) **Sharing of NMS for MLLN**: MLLN network in BSNL and MTNL are of same OEM. To have single view of the leased circuit network across the country and reduce cost of AMC, it has been decided to have common NMS for MLLN leased circuit network.
   - ii) **CRM & CDR based Billing System**: Common Billing and CRM Solutions for fixed line network of MTNL are being catered by BSNL in their CDR P-3 tender. BSNL management has approved the requirement of MTNL. PO has been issued on M/s TCIL by BSNL.
   - iii) **ILD for Voice & Data services**: The routing of MTNL ILD Voice & Data has been finalized. The PoC for ILD voice traffic over BSNL IPTAX in respective cities (Delhi & Mumbai) along with NLD traffic is underway.
   - iv) **Utilization of MNPGW of BSNL for MTNL Delhi & Mumbai**: BSNL has recently placed order on M/s Syniverse for up gradation / replacement / migration of MNPGW software on new hardware. The same MNPGW of BSNL can be utilized for MTNL also. MTNL's MNPGW is quite old. By utilizing the BSNL IMS core, MTNL may save substantial cost yearly in Space, Power & Manpower.

SLA based contract for Maintenance of Copper and Transmission Backbone Network: Post VRS, to maintain the copper based fixed services access network and OF cable network, SLA based contracts have been awarded in Delhi and Mumbai or in final stage of award. These measures likely to improve customer delivery.

L. THE NAMES OF THE DEBENTURE TRUSTEE(S) SHALL BE MENTIONED WITH STATEMENT TO THE EFFECT THAT DEBENTURE TRUSTEE(S) HAS GIVEN HIS CONSENT TO THE ISSUER FOR HIS APPOINTMENT UNDER REGULATION 4 (4) AND IN ALL THE SUBSEQUENT PERIODICAL COMMUNICATIONS SENT TO THE HOLDERS OF DEBT SECURITIES.

In accordance with the provisions of (i) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, (ii) the Companies Act, 2013 and (iii) Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, each as amended, the Issuer has appointed **SBICAP TRUSTEE COMPANY Ltd** to act as Trustees ("Trustees") for and on behalf of the holder(s) of the Bonds. The address and contact details of the Trustees are as under:

DEBENTURE TRUSTEE:
SBICAP Trustee Co. Ltd.
4th Floor, 123, Mistry Bhavan, 3, Dinshaw Wachha Road, Churchgate, Mumbai- 400020
Tel : 022-4302 5555
E-mail : corporate@sbicaptrustee.com
Website:www.sbicaptrustee.com
SEBI Reg. No. IND000000536

The Company hereby undertakes that a Trust Deed shall be executed by it in favour of the Trustees within three months of closure of the Issue. The Trust Deed shall contain such clauses as may be prescribed under

Companies Act, 2013, Companies (Share capital and Debenture) Rules, 2014 and those mentioned in Schedule IV of the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993. Further, the Trust Deed shall not contain any clause which has the effect of (i) limiting or extinguishing the obligations and liabilities of the Trustees or the Company in relation to any rights or interests of the holder(s) of the Bonds, (ii) limiting or restricting or waiving the provisions of the Securities and Exchange Board of India Act, 1992 (15 of 1992); Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 and circulars or guidelines issued by SEBI, (iii) indemnifying the Trustees or the Company for loss or damage caused by their act of negligence or commission or omission.

The Bond holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the holder(s) of the Bonds. Any payment made by the Company to the Trustees on behalf of the bond holder(s) shall discharge the Company pro tanto to the bond holder(s). The Trustees shall protect the interest of the bondholders in the event of default by the Company in regard to timely payment of interest and repayment of principal and shall take necessary action at the cost of the Company. No bond holder shall be entitled to proceed directly against the Company unless the Trustees, having become so bound to proceed, fail to do so. In the event of Company defaulting in payment of interest on Bonds or redemption thereof, any distribution of dividend by the Company shall require approval of the Trustees.

The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Trustees by the holder(s) of the Bonds and shall further conduct itself, and comply with the provisions of all applicable laws, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to the Trustees. The Trustees shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Debenture Trusteeship Agreement, the Deed of Hypothecation, Private Placement Offer Letter and all other related transaction documents, with due care, diligence and loyalty.

The Trustees shall be vested with the requisite powers for protecting the interest of holder(s) of the Bonds including but not limited to the right to appoint a nominee director on the Board of the Issuer in consultation with institutional holders of such Bonds. The Trustees shall ensure disclosure of all material events on an ongoing basis and shall supervise the implementation of the conditions regarding creation of security for the Bonds.

The trustee has provided its consent vide letter dated 11th September 2020. Copy of the consent is attached as **Annexure VII**

M. THE DETAILED RATING RATIONALE (S) ADOPTED (NOT OLDER THAN ONE YEAR ON THE DATE OF OPENING OF THE ISSUE)/ CREDIT RATING LETTER ISSUED (NOT OLDER THAN ONE MONTH ON THE DATE OF OPENING OF THE ISSUE) BY THE RATING AGENCIES SHALL BE DISCLOSED.

Rating Rationale from three rating agencies namely CRISIL, CARE and BRICKWORK are attached as **Annexure VI.**

N. IF THE SECURITY IS BACKED BY A GUARANTEE OR LETTER OF COMFORT OR ANY OTHER DOCUMENT / LETTER WITH SIMILAR INTENT, A COPY OF THE SAME SHALL B E DISCLOSED. IN CASE SUCH DOCUMENT DOES NOT CONTAIN DETAILED PAYMENT STRUCTURE (PROCEDURE OF INVOCATION OF GUARANTEE AND RECEIPT OF PAYMENT BY THE INVESTOR ALONGWITH TIMELINES); THE SAME SHALL BE DISCLOSED IN THE OFFER DOCUMENT.

Ministry of Communications, Department of Telecommunications, Government of India vide its letter No **F.No.30-5/2015-PSU Affairs dated 02.09.2020** has conveyed presidential approval and executed a **Guarantee Agreement dated 09.09.2020** with MTNL and SBICAP Trustee Company Limited (in the capacity of Trustees for the Bondholders), conveying its unconditional and irrevocable guarantee for the repayment of principal amount of bonds of MTNL for an amount of Rs. 6,500 Crores and normal interest thereon.

Sovereign Guarantee authorization is issued by **Ministry of Finance vide letter no. 12(19)-B(SD)/2020 dated 20.08.2020**. The Guarantee letter and Presidential Approval is attached as **Annexure VIII** along with the guarantee agreement (TPA) attached as **Annexure X**. Out of Rs 6,500 Crores of guarantee, bonds worth Rs 4,361.40 Crores were raised on 12/10/2020 and the present issue is for the balance amount of Rs 2,138.60 Crores.

O. COPY OF CONSENT LETTER FROM THE DEBENTURE TRUSTEE SHALL BE DISCLOSED.

The trustee has provided its consent vide letter dated 11th September 2020. Copy of the consent is attached as **Annexure VII**

P. NAMES OF ALL THE RECOGNISED STOCK EXCHANGES WHERE THE DEBT SECURITIES ARE PROPOSED TO BE LISTED CLEARLY INDICATING THE DESIGNATED STOCK EXCHANGE.

The Bonds are proposed to be listed on the Wholesale Debt Market (WDM) Segment of the BSE. The Company shall obtain an in-principle approval from the BSE for listing of said Bonds on its Wholesale Debt Market (WDM) Segment. BSE shall be Designated Stock exchange for the issue.

In pursuance of SEBI Debt Regulations, the Issuer shall make listing application to BSE within 4 days from the Deemed Date of Allotment of Bonds and seek listing permission within 4 days from the Deemed Date of Allotment of Bonds. In the event of delay in listing of Bonds beyond 4 days from the Deemed Date of Allotment, the Issuer shall pay penal interest of 1.00% p.a. over the Coupon Rate from the Deemed Date of Allotment till the date of listing of Bonds to the Bondholder(s).

In connection with listing of Bonds with BSE, the company hereby undertakes that:

a) It shall comply with conditions of listing of Bonds as may be specified in the Listing Agreement with BSE.

b) Ratings obtained by the company shall be periodically reviewed by the credit rating agencies and any revision in the rating shall be promptly disclosed by the company to BSE.

c) Any change in rating shall be promptly disseminated to the holder(s) of the Bonds in such manner as BSE may determine from time to time.

d) The company, the Trustees and BSE shall disseminate all information and reports on Bonds including compliance reports filed by the company and the Trustees regarding the Bonds to the holder(s) of Bonds and the general public by placing them on their websites.

e) Trustees shall disclose the information to the holder(s) of the Bonds and the general public by issuing a press release in any of the following events:

    a) default by the company to pay interest on Bonds or redemption amount;

    b) revision of rating assigned to the Bonds;

    c) Failure to create charge on the assets.

f) The information referred to in para (e) above shall also be placed on the websites of the Trustees, company and BSE.

g) The Issuer shall, till the redemption of Bonds, submit its latest audited/ limited review half yearly consolidated (wherever available) and standalone financial information such as Statement of Profit & Loss, Balance Sheet and Cash Flow Statement and auditor qualifications, if any, to the Trustees within the timelines as mentioned in Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time. Besides, the Issuer shall within 180 days from the end of the financial year, submit a copy of the latest annual report to the Trustees and the Trustees shall be obliged to share the details so submitted with all Qualified Institutional Buyers ("QIBs") and other existing Bondholder(s) within two working days of their specific request.

Q) OTHER DETAILS:

a. **DRR CREATION –**

The Company shall create a Debenture Redemption Reserve for the purpose of redemption of Debentures/Bonds, as applicable, in accordance with the provisions stated in the Companies Act 2013 read with the Companies (Share Capital and Debentures) Rules, 2014.

b. ISSUE/INSTRUMENT SPECIFIC REGULATIONS - RELEVANT DETAILS (COMPANIES ACT, RBI GUIDELINES, ETC).

This disclosure document is prepared under the Companies Act, 2013 and the rules made there under (including the Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended from time to time ("PAS Rules") and the Companies (Share Capital and Debentures) Rules, 2014, as amended from time to time ("Share Capital and Debenture Rules"), the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended from time to time ("ILDS Regulations"), the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time ("LODR Regulations") (hereinafter the ILDS Regulations and LODR Regulations shall be collectively referred to as "SEBI Regulations"), for private placement of the Debentures is neither a prospectus nor a statement in lieu of prospectus and does not constitute an offer to the public generally to subscribe for or otherwise acquire the Debentures to be issued by the Issuer. The present issue of bonds is made pursuant to the resolution of Board of Directors to the issuer passed at its meeting held on 14.11.2019 and 22.07.2020 and the delegation provided therein. The issue of the bonds is backed by **Ministry of Communications (Department of Telecommunications) Government of India vide its letter No F.No.30-5/2015-PSU Affairs dated 02.09.2020 & Sovereign Guarantee authorization is issued by Ministry of Finance vide letter no. 12(19)-B(SD)/2020 dated 20.08.2020 and Deed of Guarantee dated 09.09.2020** and the conditions contained therein. The issuer can issue the bonds proposed by it in view of the present approvals and no further internal or external permissions/ approval(s) is/are required by it to undertake the proposed issuance.

c. **APPLICATION PROCESS** (as per EBP)
WHO CAN APPLY
The categories of investors who are eligible to apply for these issues are mentioned in the summary term sheet of this disclosure document. However, the prospective subscribers must make their own independent evaluation and judgement regarding their eligibility to invest in the issue.
All Applicants are required to comply with the relevant regulations/guidelines applicable to them for investing in the Issue as per the norms approved by GoI, RBI or any other statutory body from time to time, including but not limited to BSE EBP Guidelines as published by BSE on its website for investing in this Issue.
The contents of this Information Memorandum and any other information supplied in connection with this Information Memorandum are intended to be used only by those investors to whom it is distributed. It is not intended for distribution to any other person and should not be reproduced or disseminated by the recipient.
However, out of the aforesaid class of investors eligible to invest, this Information Memorandum is intended solely for the use of the person to whom it has been sent by the Issuer for the purpose of evaluating a possible investment opportunity by the recipient(s) in respect of the securities offered herein, and it is not to be reproduced or distributed to any other persons (other than professional advisors of the prospective Investor receiving this Information Memorandum from the Issuer).
Documents to be provided by investors: The Applications must be accompanied by certified true copies of

1) memorandum and articles of association/ constitution/bye-laws/charter documents;
2) resolution authorizing investment and containing operating instructions (including power of attorney if applicable);
3) specimen signatures of authorized signatories;
4) necessary forms for claiming exemption from deduction of tax at source on the interest income/interest on Application money, wherever applicable;

5) documents relating to withholding tax applicability;
6) copy of PAN card provided by the Income Tax Department, GoI; and
7) any other requirements under the BSE Bond – EBP Platform or under any other applicable regulations (including but not limited to those of SEBI) or as may be required by the Issuer from time to time.

APPLICATION BY VARIOUS APPLICANT CATEGORIES

Application under Power of Attorney or by Limited Companies

In case of Applications made under a Power of Attorney or by a Limited Company or a Body Corporate or Registered Society or Mutual Fund, and scientific and/or industrial research organizations or Trusts etc., the relevant Power of Attorney or the relevant resolution or authority to make the Application, as the case may be, together with the certified true copy thereof along with the certified copy of the Memorandum and Articles of Association and/or Bye-Laws as the case may be, shall be attached to the Application Form or lodged for scrutiny separately with the photocopy of the Application Form, quoting the serial number of the Application Form, at the office of the Registrars to the Issue after submission of the Application Form to the BSE Bond – EBP Platform, failing which the applications are liable to be rejected.

Application under Power of Attorney

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/ document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Company or to its Registrars or to such other person(s) at such other address(es) as may be specified by the Company from time to time through a suitable communication.

Application by Mutual Funds

In case of Applications by Mutual Funds, a separate Application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the asset management company/trustees/custodian clearly indicate their intention as to the scheme for which the Application has been made

Application by Provident funds, superannuation funds, gratuity funds and pension funds

In case of Applications by Indian provident funds and pension funds authorized to invest in the Debentures, the Application Form must be accompanied by certified true copies of: (i) any Act/rules under which they are incorporated; (ii) power of attorney, if any, in favour of one or more trustees thereof; (iii) board resolution authorizing investments; (iv) such other documents evidencing registration thereof under applicable statutory/regulatory requirements; (v) specimen signature of authorized person; (vi) certified copy of the registered instrument for creation of such fund/trust; and (vii) tax exemption certificate issued by income tax authorities, if exempt from income tax.

Application by Retirement funds following ministry of finance guidelines

The application must be accompanied by certified true copies of (i) Certificate of registration, if registered (ii) Power of Attorney granted to transact business on its behalf (iii) Any official valid document to identify the trustees, selectors, beneficiaries and those holding Power of Attorney, founders/managers/ foundation/ association (v) Telephone bill and (iv) PAN (otherwise exemption certificate issued by IT authorities).

Application by Non-Banking Finance Companies (NBFCs)/ Residuary Non Banking Finance

The applications must be accompanied by certified true copies of (i) Memorandum and Articles of Association/ Other documents governing the constitution (ii) Power of Attorney (iii) resolution authorizing investment and containing operating instructions and (iv) Specimen signatures of authorized signatories. Application by Insurance companies The application must be accompanied by certified true copies of (i) Certificate of Information and Memorandum & Articles of Association (ii) Resolution of the Board of

Directors and Identification of those who have authority to operate (iii) Power of Attorney granted to its managers, officers or employee to transact on its behalf (iv) Copy of PAN allotment letter; (v) certificate of registration issued by IRDA; and (vi) copy of the Telephone bill.

Application by Companies/ Body corporates/Financial Institutions/ Statutory Corporations

The applications must be accompanied by certified true copies of (i) Memorandum and Articles of Associations / Constitution / Bye-Law(s) (ii) certified true copy of the resolution authorizing investment and containing operating instructions (iii) specimen signatures of authorized signatories and (iv) relevant certificate(s) in the prescribed form(s) under Income Tax Rules, 1962, if exemption is sought from deduction of tax at source on interest income.

Application by Regional Rural Banks

The application must be accompanied by certified true copies of (i) Government notification/ Certificate of In / Memorandum and Articles of Association/ other documents governing the constitution (ii) resolution authorizing investment and containing operating instructions (iii) specimen signatures of authorized signatories (iv) Form 15H for claiming exemption from deduction of tax at source on income from interest on application money and (v) Form 15AA for claiming exemption from deduction of tax at source on the interest income.

Application by Cooperative banks

All cooperative banks including primary urban cooperative banks can invest in these bonds to the extent permissible under applicable Reserve Bank of India notification in force from time to time. The applications must be accompanied by certified true copies of (i) Government Notification/ Certificate of Registration/ Other documents governing constitution (ii) resolution authorizing investment and containing operating instructions (iii) specimen signatures of authorized signatories and (iv) Recognition certificate from Income Tax Department

Application by Commercial banks/ Mutual Funds

A separate Application can be made in respect of each scheme of an MF; such Applications will not be treated as multiple Applications. Applications made by the AMCs or custodians of an MF must clearly indicate the name of the scheme for which Application is being made. In case of Applications made by MFs, the Application Form must be accompanied by certified true copies of their (i) SEBI registration certificate; (ii) trust deed (iii) resolution authorizing investment and containing operating instructions; and (iv) specimen signatures of authorized signatories. The application must be accompanied by certified true copies of 1} Certificate of Incorporation, Memorandum & Articles of Association, 2} Power of Attorney 3} Resolution authorizing investment and containing operating instruction 4} SEBI registration certificate where ever applicable 5) Specimen signature of authorized signatories.

Application by Charitable/ Religious Trusts

The application must be accompanied by certified true copies of 1} Trust Deed/bye laws 2} Certificate of Registration 3} Resolution authorizing investment and containing operating instruction 4} Specimen signature of authorized signatories 5} Relevant certificates in the prescribed form (s) under Income Tax Rules, 1962, if exemption is sought from deduction of tax at source on interest income.

Application by Port Trust

As per section 88 of the Major Port Trusts Act, 1963 the bonds being guaranteed by the Government of Uttar Pradesh are categorized as public security for the purpose of investments by Port Trusts.

Application by Mutual Funds

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

R) PROCEDURE FOR APPLYING FOR DEMAT FACILITY:

1. The applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL/ CDSL prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account number and Depository Participant's ID appearing in the Application Form under the heading 'Details for Issue of Bonds in Electronic/ Dematerialized Form'.)
3. Bonds allotted to an applicant will be credited directly to the applicant's respective Beneficiary Account(s) with the DP.
4. For subscribing the Bonds names in the application form should be identical to those appearing in the account details in the depository. In case of joint holders the names should necessarily be in the same sequence as they appear in the account details in the depository.
5. Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrars to the Issue.
6. If incomplete/incorrect details are given under the heading 'Details for Issue of Bonds in Electronic/ Dematerialized Form' in the application form it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Issuer.
7. For allotment of Bonds the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The Applicant is therefore responsible for the correctness of his/her demographic details given in the application form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient the Issuer would not be liable for losses, if any.
8. It may be noted that Bonds will be issued in electronic form. The same can be traded only on the Stock Exchanges having electronic connectivity with NSDL/ CDSL. The BSE, where the Bonds of the MTNL are proposed to be listed has connectivity with NSDL/ CDSL.
9. Payment of interest or repayment of principal would be made to those Bond holders whose names appear on the list of beneficial owners given by the Depositories to the Issuer as on Record Date/ Book Closure Date. In case of those Bond for which the beneficial owner is not identified by the Depository as on the Record Date/ Book Closure Date, the issuer would keep in abeyance the payment of interest or repayment of principal, till such time that the beneficial owner is identified by the Depository and conveyed to the Issuer, whereupon the interest or principal would be paid to the beneficiaries, as identified, within a period of 30 (thirty) days.
10. The Bonds shall be directly credited to the Beneficiary Account as given in the Application Form and after due verification, allotment advice/ refund order, if any, would be sent directly to the applicant by the Registrars to the Issue but the confirmation of the credit of the Bonds to the applicants Depository Account will be provided to the applicant by the Depository Participant of the applicant.

S) HOW TO APPLY

All eligible Investors should refer the operating guidelines for issuance of debt securities on private placement basis through an electronic book mechanism as available on the website of BSE. Investors will also have to complete the mandatory know your customer verification process. Investors should refer to the BSE EBP Guidelines in this respect. The application form will be filled in by each Investor and uploaded in accordance with the SEBI regulatory and operational guidelines. Applications for the Bonds must be in the prescribed form (enclosed) and completed in BLOCK LETTERS in English as per the instructions contained therein.

All Eligible Investors will have to register themselves as a one-time exercise (if not already registered) under the BSE BOND – EBP Platform offered by BSE for participating in the electronic book mechanism. Eligible Investors will also have to complete the mandatory KYC verification process. Investors should refer to the Operational.

i. Guidelines

The details of the Issue shall be entered on the BSE BOND – EBP Platform by the Issuer at least 2 (two) working days prior to the Issue / Bid Opening Date, in accordance with the Operational Guidelines.

The Issue will be open for bidding for the duration of the bidding window that would be communicated through the Issuer's bidding announcement on the BSE BOND – EBP Platform, at least 1 (one) working day before the start of the Issue / Bid Opening Date.

A bidder will only be able to enter the amount & percentage while placing their bids in the BSE BOND. Some of the key guidelines in terms of the current Operational Guidelines on issuance of securities on private placement basis through an electronic book mechanism, are as follows:

(a) Modification of Bid:

Investors may note that modification of bid is allowed during the bidding period / window. However, in the last 10 minutes of the bidding period / window, revision of bid is only allowed for upward revision of the bid amount placed by the Investor.

(b) Cancellation of Bid

Investors may note that cancellation of bid is allowed during the bidding period / window. However, in the last 10 minutes of the bidding period / window, no cancellation of bids is permitted.

(c) Multiple Bids

Investors may place multiple bids

(d) Withdrawal of Issue

The Issuer may, at its discretion, withdraw the issue process on the following conditions:

i. non-receipt of bids upto the Base Issue Size;

ii. Bidder has defaulted on payment towards the allotment, within the stipulated time frame, due to which the Issuer is unable to fulfill the Issue Size.

Provided that the Issuer shall accept or withdraw the Issue on the BSE BOND – EBP Platform within 1 (one) hour of the closing of the bidding window, and not later than 6 pm on the Issue/Bidding Closing Date. The withdrawal of issue is further subject to the operational guidelines of BSE. Therefore, Investors should refer to the Operational Guidelines of BSE as prevailing on the date of the bid for this purpose.

Determination of Coupon

The Coupon has been decided based on bids received on EBP.

Basis of allotment

Allotment to the bidders shall be done on yield priority basis in the following manner as per SEBI circular dated January 5, 2018 dated August 16, 2018 and operational guidelines of BSE:- All the bids shall be arranged in the ascending order of the yields, and a cut-off yield shall be determined. All the bids below the cut-off yield shall be accepted and full allotment should be made to such bidders. For all the bids received at cut-off yield, allotment shall be made on time of bidding basis and if time of bidding and cut-off yield are same then allotment shall be done on the pro-rata basis in line with BSE EBP Operational guidelines.

ii. Provisional/ Final Allocation

Allocation shall be made on a pro rata basis in the multiples of the bidding lot size, i.e., in multiples of Rs. 10,00,000 (Rupees Ten Lakhs).

Post completion of bidding process, the Issuer will upload the provisional allocation on the BSE BOND – EBP Platform. Post receipt of investor details, the Issuer will upload the final allocation file on the BSE BOND – EBP Platform.

Applications by Successful Bidders

Original application forms complete in all respects must be submitted to the Corporate Office of Issuer before the last date indicated in the Issue time table or such extended time as decided by the Issuer accompanied by details of remittance of the Application money. This Application will constitute the application required under section 42 of the Companies Act, 2013 and the PAS Rules. Successful bidders should ensure to do the funds pay-in from their same bank account which is updated by them in the BSE Bond – EBP Platform while placing the bids. In case of mismatch in the bank account details between BSE Bond – EBP Platform and the bank account from which payment is done by the successful bidder, the payment would be returned back. Payment should be made by the deadline specified by the BSE.

Successful bidders should do the funds pay-in to the bank accounts of the clearing corporation of the relevant Exchanges ("Designated Bank Account") ie. BSE Limited. Successful bidders must do the funds pay-in to the Designated Bank Account up to 10:30 am on the pay-in date ("Pay-in Time"). Successful bidders should ensure to do the funds pay-in from their same bank account which is updated by them in the BSE Bond – EBP Platform while placing the bids. In case of mismatch in the bank account details between BSE Bond – EBP Platform and the bank account from which payment is done by the successful bidder, the payment would be returned back.

Provided that, in case of bids made by the Arranger on behalf of eligible Investors, funds pay-in shall be made from the bank account of such eligible Investors.

Note: In case of failure of any successful bidder to complete the funds pay-in by the Pay-in Time or the funds are not received in the Designated Bank Account of the clearing corporation of BSE Limited by the Pay-in Time for any reason whatsoever, the bid will liable to be rejected and the Issuer and/or the Arranger shall not be liable to the successful bidder.

The entire amount of Rs. 10 (ten) Lakhs per Bond is payable on application.

Applications should be for the number of PDIs applied by the Applicant. Applications not completed in the manner required are liable to be rejected. The name of the Applicant's bank, type of account and account number must be filled in the Application Form.

The Applicant or in the case of an Application in joint names, each of the Applicant, should mention the PAN allotted under the I.T. Act or where the same has not been allotted, the GIR No. and the Income Tax Circle/Ward/District. In accordance with the provision of Section 139A (5A) of the I.T. Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the Investor should mention his PAN/GIR No. In case neither the PAN nor the GIR Number has been allotted, the applicant shall mention "Applied for" and in case the applicant is not assessed to Income Tax, the Applicant shall mention 'Not Applicable' (stating reasons for non-applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected. All Applicants are requested to tick the relevant column "Category of Investor" in the Application Form. Public/ Private/ Religious/ Charitable Trusts, Provident Funds and Other Superannuation Trusts and other investors requiring "approved security" status for making investments.

Settlement Process

Upon final allocation by the Issuer, and confirmation by the Issuer to go ahead with the Allotment, the Issuer or the Registrar on behalf of the Issue shall instruct the Depositories on the Pay-In Date, and the Depositories shall accordingly credit the allocated Debentures to the demat account of the successful bidder(s). Upon instructions of the Registrar or the Issuer, the Depositories shall confirm to the clearing corporation of the relevant Exchanges that the Bonds have been transferred to the demat account(s) of the successful bidder(s) on the same day itself. Upon confirmation from the Depository, the clearing corporation of the relevant Exchanges shall transfer funds to the designated bank account of the Issuer.

Post-Allocation Disclosures by the EBP

Upon final allocation by the Issuer, the Issuer shall disclose the Issue Size, coupon rate, ISIN, number of successful bidders, category of the successful bidder(s), etc., in accordance with the

SEBI/HO/DDHS/CIR/P/2018/05 dated January 5, 2018, and SEBI circular dated August 16, 2018 bearing reference number SEBI/HO/DDHS/CIR/P/2018/122, each as amended. The EBP shall upload such data, as provided by the Issuer, on its website to make it available to the public.

Right to further issue under the ISINs
The Issuer reserves right to effect multiple issuances under the same ISIN with reference to SEBI Circular CIR/IMD/DF-1/ 67 /2017 dated June 30, 2017 as amended **(“First ISIN Circular”)** and SEBI Circular CIR/DDHS/P/59/2018 dated March 28, 2018, as amended or any other applicable laws or regulations from time to time (**“Second ISIN Circular”**, together with the First ISIN Circular, the **“ISIN Circulars”**).

The Issue can be made either by way of creation of a fresh ISIN or by way of issuance under the existing ISIN at premium, par or discount as the case may be in line with the ISIN Circulars.

Right to Re-purchase, Re-issue or Consolidate the Bonds
The Issuer will have power, exercisable at its sole and absolute discretion from time to time, to re-purchase a part or all of its Bonds from the secondary markets or otherwise, at any time prior to the Redemption Date, subject to applicable law and in accordance with the applicable guidelines or regulations, if any.
In the event of a part or all of the Issuer’s Bonds being repurchased as aforesaid or redeemed under any circumstances whatsoever, the Issuer shall have, and shall be deemed always to have had, the power to re-issue the Bonds either by re-issuing the same Bonds or by issuing other debentures in their place. The Issuer shall have right to consolidate the Bonds under present series in accordance with applicable law.

Further the Issuer, in respect of such re-purchased or re-deemed Bonds shall have the power, exercisable either for a part or all of those Bonds, to cancel, keep alive, appoint nominee(s) to hold or re-issue at such price and on such terms and conditions as it may deem fit and as permitted under the ISIN Circulars or by laws or regulations.

Investor Grievance & Redressal system
Arrangements have been made to redress investor grievances expeditiously as far as possible, the Issuer endeavors to resolve the investor’s grievances within 30 days of its receipt. All grievances related to the issue quoting the Application Number (including prefix), number of Bonds applied for, amount paid on application and details of collection centre where the Application was submitted, may be addressed to the Compliance Officer at registered office of the Issuer. All investors are hereby informed that the Issuer has appointed a Compliance Officer who may be contracted in case of any pre-issue/ post-issue related problems such as non-credit of letter(s) of allotment/ bond certificate(s) in the demat account, non- receipt of refund order(s), interest warrant(s) etc. Contact details of the Compliance Officer are given elsewhere in this Private Placement Offer Letter.

Investor Relations Officer	S R Sayal
Designation/ Dept	Company Secretary
Address	MAHANAGAR TELEPHONE NIGAM LTD Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;.
Ph No	011-24317225
Email	mtnlcsco@gmail.com
Website	http://mtnl.in/

S. DISCLOSURES PERTAINING TO WILLFUL DEFAULT

1) In case of listing of debt securities made on private placement, the following disclosures shall be made:

(a) Name of the bank declaring the entity as a willful defaulter - NIL

(b) The year in which the entity is declared as a willful defaulter - NIL
(c) Outstanding amount when the entity is declared as a willful defaulter - NIL
(d) Name of the entity declared as a willful defaulter - NIL
(e) Steps taken, if any, for the removal from the list of willful defaulters - NIL
(f) Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions - NIL
(g) Any other disclosure as specified by the Board - NIL

"None of the above is applicable in the case of MTNL, as MTNL has never defaulted in any of its payment obligations".

2. The fact that the issuer or any of its promoters or directors is a willful defaulter shall be disclosed prominently on the cover page with suitable cross-referencing to the pages.

   "Not Applicable"

3. Servicing Behavior on Existing Debts

The Company has been servicing all its interest liabilities on time and there has been no instance of delay or default on the Existing Debts of the Company

T. TERM SHEET: ISSUE DETAILS

Security Name	6.85% MTNL 2020 - BONDS VI
Issuer	Mahanagar Telephone Nigam Limited
Type of Instrument	GOVERNMENT OF INDIA GUARANTEED, UNSECURED, RATED, LISTED, REDEEMABLE, NON-CONVERTIBLE, TAXABLE BONDS IN THE NATURE OF DEBENTURES
Government of India Guarantee	Ministry of Communications (Department of Telecommunications) Government of India vide its letter No F.No. 30-5/2015-PSU Affairs dated 02.09.2020 has conveyed presidential approval and executed a Guarantee Agreement dated 09.09.2020 with MTNL and SBICAP Trustee Company Limited in the capacity of Trustees for the Bondholders, conveying its unconditional and irrevocable guarantee for the repayment of principal amount of bonds of MTNL for an amount of Rs. 6,500 crore and normal interest thereon. Out of Rs 6,500 Crores, bonds to the tune of Rs 4,361.40 Crores were raised on 12/10/2020 and this term sheet is for the balance amount of Sovereign Guarantee of Rs 2,138.60 Crores. Sovereign Guarantee authorization is issued by Ministry of Finance vide letter no. 12(19)-B(SD)/2020 dated 20.08.2020
Seniority	Senior and Unsubordinated
Mode of Issue	Private Placement
Description regarding Security (where applicable) including type of security (movable/immovable/tangible etc.), type of charge (pledge/ hypothecation/ mortgage etc.), date of creation of security/ likely date of creation of security, minimum security cover, revaluation, replacement of security, interest to the debenture holder over and above the coupon rate as specified in the Trust Deed and disclosed in the Offer Document/ Information Memorandum.	Bonds/Debentures are backed by Sovereign Guarantee of GoI vide Ministry of Finance OM No. 12(19)-(B)(SD)/2020 dated 20th August 2020 The Bonds are secured by way of unconditional and irrevocable guarantee and continuing obligation for payment of principal amount of the Bonds issued by the Company, normal Interest thereon as agreed to be guaranteed by the GOI
Eligible Investors	All QIBs, arrangers who bid on their own as well as on behalf of others and any non-QIB Investors specifically mapped by the Issuer on the BSE BOND – EBP Platform, are eligible to bid / invest / apply for this Issue All investors are required to comply with the relevant regulations/ guidelines applicable to them for investing in this Issue.
Listing (including name of stock Exchange(s) where it will be listed and timeline for listing)	Proposed on the Wholesale Debt Market (WDM) Segment of the BSE i. Timeline for listing is as per SEBI circular SEBI/HO/DDHS/CIR/P/2020/198 dated October 05, 2020

	ii. Further, in case of investment by FII/sub accounts of FII investors, it shall be ensured by the company that the bonds are listed within 15 days of allotment. In case bonds are not listed within 15 days, company shall immediately redeem/buyback the securities from such FII/sub accounts of FII investors as per RBI circular No. FEMA 20 (R)/2017-RB of 07/11/2017 updated upto March 08, 2019 and from time to time.
EBP Platform	BSE BOND – EBP
Rating of the Instrument	"CRISIL AAA(CE)/Stable" by 'CRISIL Limited, "CARE AAA(CE); Stable" by CARE Ratings Limited and "BWR AAA(CE)/Stable" by Brickwork India Rating Ltd.
Issue Size	Rs. 500 crore ('Base Issue') with green shoe option of Rs. 1,638.60 Crore to retain over subscription
Option to retain over subscription (Amount)	Yes, Rs. 1,638.60 crore aggregating to Rs. 2,138.60 crore
Objects of the Issue	Refinancing of existing borrowings and CAPEX funding
Details of the utilization of the Proceeds	The proceeds of the issue shall be utilized as per the object clause of the term sheet.
Coupon Rate	6.85%
Step Up/Step Down Coupon Rate	Not Applicable
Coupon Payment Frequency	Semi Annually
Coupon payment dates	Please refer to the cash flow illustration
Coupon Type	Fixed
Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).	Not Applicable
Day Count Basis	Actual/ Actual Interest shall be computed on an "actual/actual basis". Where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days-a-year basis (as per SEBI Circular no CIR/IMD/DF/18/2013 dated 29th Oct 2013 and CIR/IMD/DF-1/122/2016 dated 11th November 2016)
Interest on Application Money	As the Pay-In Date and the Deemed Date of Allotment fall on the same date, interest on application money shall not be applicable. Further, no interest on application money will be payable in case the Issue is withdrawn by the Issuer in accordance with the Operational Guidelines.
Default Interest Rate	In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of atleast @ 2%

	p.a. over the coupon rate shall be payable by the Company for the defaulting period i.e. the period commencing from and including the date on which such amount becomes due and upto but excluding the date on which such amount is actually paid.
Tenor	10 years from the deemed date of allotment.
Redemption Date	20th December 2030
Redemption Amount	Rs. 10,00,000/- per bond
Redemption Premium / Discount	NIL
Issue Price/Face Value	Rs. 10,00,000/- per bond
Discount at which security is issued and the effective yield as a result of such discount.	NIL
Put option Date	None
Put option Price	None
Call Option Date	None
Call Option Price	None
Put Notification Time	None
Call Notification Time	None
Minimum Application and in multiples of Debt securities thereafter	Minimum application is of 1 bond of face value of Rs. 10 lakhs and in multiple of 1 bond (Rs 10 Lakhs) thereafter
Issue Timings 1. Issue Opening Date 2. Issue Closing Date 3. Pay in Date 4. Deemed Date of Allotment	 1. 18th December 2020 2. 18th December 2020 3. 21st December 2020 4. 21st December 2020
Settlement Cycle	T+1 (T being bidding day as set out above)
Basis of Allotment (if any)	The issuer reserves the right to reject any/all applications fully or partially at its sole discretion, without assigning any reason whatsoever.
Issuance mode of the Instrument	Demat only
Trading mode of the Instrument	Demat only
Settlement mode of the Instrument	Payment of interest and repayment of principal shall be made by way of credit through RTGS/NEFT or any other electronic mode offered by the Bank. Wherever the payment is not possible due to non-availability of Banking Details, the payment of interest and repayment of principal shall be made by through DD. DD shall be

	dispatched through Speed Post. The interest payment mode of payment is subject to the Regulation 12 of SEBI (LODR), Regulation 2015.
Business Day/ Working Day Convention	'Business Day' shall be a day when the money market is functioning in Mumbai. If the date of payment of interest/redemption of principal does not fall on a Business Day, the payment of interest/principal shall be made in accordance with SEBI Circular CIR/IMD/DF-1/122/2016 dated November 11, 2016.
Effect of holidays	If the interest payment date falls on a holiday, the payment may be made on the following working day however the dates of the future coupon payments would be as per the schedule originally stipulated at the time of issuing the security in line with SEBI circular No CIR/IMD/DF-1/122/2016 dated November 11, 2016. If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds shall be paid by the Issuer on the preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.
Record Date	15 days prior to each Coupon Payment Date and Redemption Date. In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.
All Covenants of the issue (including side letters, accelerated payment clause, etc.)	Information Memorandum and all other documents containing ratings, Debenture Trustee Consent, Sovereign Guarantee letter, Presidential Approval, Tripartite Agreement and RTA Consent
Depository	National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL).
Structured Payment Mechanism	The Guarantee Agreement provide for a Structued Payment Mechanism whereby a Designated Trust & Retention Account in the name of "Mahanagar Telephone Nigam Limited (MTNL)-Bond Account" shall be opened exclusive for the benefit of the Trustee (on behalf of the bondholders). The following payment structure (wherein "T1" is assumed to be the due date for interest payments and "T2" is assumed to be the due date for principal repayment of the bonds) is envisaged for meeting the obligations on the rated bonds. Interest Payments

Trigger Date	Action Point
(T1-30)th day*	Trustees to inform MTNL and the DoT/GOI in writing regarding the due date for payment of interest amount so that the necessary arrangements could be made for meeting the interest payment obligations on the Bonds.
(T1-10)th day*	The Designated Trust and Retention Account is to be funded by MTNL to the tune of the interest obligations on the Bonds.
(T1-8)th	If the Designated Trust and Retention Account is

	<table><tr><td>day*</td><td>not funded to the requisite extent by (T1-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to DoT/GOI.</td></tr><tr><td>(T1-3)th day*</td><td>Last date by which DoT/GOI shall deposit requisite funds in the Designated Trust and Retention Account as per the Notice of Invocation served by the Trustees.</td></tr></table> If any Coupon Payment Date falls on a day that is not a Business Day, the payment shall be made by the Issuer on the following working day in line with SEBI circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016. PRINCIPAL REPAYMENT <table><tr><td>Trigger Date</td><td>Action Point</td></tr><tr><td>(T2-30)th day*</td><td>Trustees to inform MTNL and the DoT/GOI in writing regarding the due date for repayment of Principal amount so that the necessary arrangements could be made for meeting the Principal repayment obligations on the Bonds.</td></tr><tr><td>(T2-10)th day*</td><td>The Designated Trust and Retention Account is to be funded by MTNL to the tune of the Principal obligations on the Bonds.</td></tr><tr><td>(T2-8)th day*</td><td>If the Designated Trust and Retention Account is not funded to the requisite extent by (T2-8)th day, the Trustees shall forthwith invoke the DoT/GOI Guarantee by sending a Notice of Invocation to GOI.</td></tr><tr><td>(T2-3)th day*</td><td>Last date by which DoT/GOI shall deposit requisite funds in the Designated Trust and Retention Account as per the Notice of Invocation served by the Trustees.</td></tr></table> * If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds shall be paid by the Issuer on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.
Transaction Documents	The Issuer has executed already/executed/shall execute the documents including but not limited to the following in connection with the Issue: Letter appointing Trustees to the Bondholders; Debenture Trusteeship Agreement; Debenture/Bond Trust Deed; Rating letter from CRISIL, CARE and BRICKWORKS Tripartite Agreement between the Issuer; Registrar and NSDL for issue of Bonds in dematerialized form; Tripartite Agreement between the Issuer, Registrar and CDSL for

	issue of Bonds in dematerialized form; Letter appointing Registrar and agreement entered into between the Issuer and the Registrar; Application made to BSE for seeking their in-principle approval for listing of Bonds; Listing Agreement with BSE; Letters appointing Arrangers to the Issue Guarantee Agreement.
Conditions precedent to subscription of Bonds	The subscription from investors shall be accepted for allocation and allotment by the Issuer subject to the following: 1. Rating letters from CRISIL, BWR and CARE not being more than one month old from the issue opening date; 2. Letter from the Trustees conveying their consent to act as Trustees for the Bondholder(s); 3. Letter from BSE conveying its in-principle approval for listing of Bonds
Conditions Subsequent to the subscription of bonds	1. Maintaining a complete record of private placement offers in Form PAS-5; 2. Filing a return of allotment of Debentures with complete list of all Debenture Holders in Form PAS-3 under Section 42(8) of the Companies Act, 2013, with the Registrar of Companies, National Capital Territory of Delhi and Haryana within 15 (fifteen) days of the Deemed Date of Allotment along with fee; 3. Credit of demat account(s) of the allottee(s) by number of Debentures allotted within the stipulated time period from the Deemed Date of Allotment; 4. Making listing application to BSE within 4 (four) days from the Deemed Date of Allotment of the Debentures and seeking listing permission within 4 (four) days from the Deemed Date of Allotment of the Debentures; 5. Executing the debenture trust deed, in favour of the Trustee within 90 (ninety) days of Deemed Date of Allotment of the Debentures and submission of the debenture trust deed with BSE within 5 (five) working days of execution of the same for uploading on their website. Further, the Issuer shall perform all activities, whether mandatory or otherwise, as mentioned elsewhere in the Draft Disclosure Document.
Events of Default (including manner of voting/conditions of joining Inter Creditor Agreement)	Payment Default a. The Trustee shall within 30 days before each due date inform the Company in writing regarding the Due date and the provision of Adequate Funds by MTNL. The Company shall ensure that Adequate funds are available in the Designated account latest by 10 calendar days before the Due date b. In case the Designated Account does not have Adequate Funds latest by Ten (10) days prior to the Due 'date, it shall constitute a payment Default. c. In case of a Payment Default " the Trustee shall forthwith

	invoke the GOI Guarantee, in case the Designated account is not funded to the requisite extent by at least 8 days before the payment Due date by sending a notice to DOT. d. Any invocation of the guarantee pursuant to the Guarantee Agreement should be within Sixty (60) days from the Due date. In case the guarantee is not invoked within the stipulated period of Sixty (60) days, the guarantee shall cease to exist only for that portion of the Principal and/or Interest for which the guarantee has not been invoked.
Creation of recovery expense fund	Details and purpose of the recovery expense fund – will be applicable from 01-01-2021 and the compliance of this is already processed by MTNL and Bank Guarantee will be issued
Conditions for breach of covenants (as specified in Debenture Trust Deed)	As applicable as per Offer Document, Tripartite Agreement, other such agreements including the Bi-Partite Agreement and Trust Deed as and when entered as required under regulations.
Remedies	Upon the occurrence of any of the Events of Default, the Trustees shall forth declare the amounts outstanding to be due and payable forthwith and the guarantee will be invoked by the Trustees towards repayment of the amounts outstanding by issuing notice as prescribed in TPA and/or exercise such other rights as the Trustees may deem fit under the applicable laws subject to the conditions as set out in TPA.
Additional Covenants (SEBI/HO/MIRSD/DOS3/CIR/P/ 2019/98 dated May 27th, 2019)	DEFAULT IN PAYMENT: In case of default in payment of interest and/or principal redemption on the due dates, additional interest of at least @ 2% p.a. over the Coupon Rate will be payable by the Issuer for the defaulting period, which shall mean the due date of payment to the actual date of payment excluding the date of payment in counting the period.
	DELAY IN LISTING: In case of delay in listing of the debt securities beyond 4 days from the Deemed Date of Allotment, the Company will pay penal interest of at least 1% p.a. over the coupon rate from the Deemed Date of Allotment till the listing of such debt securities to the investors. Further, in case of investment by FII/sub accounts of FII investors, it shall be ensured by the company that the bonds are listed within 15 days of allotment. In case bonds are not listed within 15 days, company shall immediately redeem/buyback the securities from such FII/sub accounts of FII investors as per RBI circular No. FEMA 20 (R)/2017-RB of 07/11/2017 updated upto March 08, 2019 and from time to time ALLOTMENT OF SECURITIES: As per Company Act 2013 under section 42(6) of the Act, the Company shall allot the Debentures/ Bonds within (60) sixty days from the date of receipt of the application money for such Debentures/ Bonds and if the Company is not able to allot the Debentures/ Bonds within such period, it shall repay the application money to the subscribers within

	fifteen days from the date of completion of (60) sixty days and if the Company fails to repay the application money within the aforesaid period, it shall be liable to repay such money with interest at the rate of 12% p.a. from the expiry of the sixtieth day. On the happening of any of the event of default, in addition to the rights specified above, the Debenture Holders/Bond Trustees shall have the right as indicated in the SEBI Regulations/ Company Act 2013 from time to time and also as per listing agreement.
Provisions related to Cross Default Clause	Not Applicable
Role and Responsibilities of Debenture Trustee	The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Trustees by the holder(s) of the Bonds and shall further conduct itself, and comply with the provisions of all applicable laws, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to the Trustees. The Trustees shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Bond/ Debenture Trusteeship Agreement, Disclosure Document and all other related transaction documents, with due care, diligence and loyalty. The Trustees shall be vested with the requisite powers for protecting the interest of holder(s) of the Bonds. The Trustees shall ensure disclosure of all material events on an ongoing basis. The Issuer shall, till the redemption of Bonds, submit its latest audited/ limited review half yearly consolidated (wherever available) and standalone financial information such as Statement of Profit & Loss, Balance Sheet and Cash Flow Statement and auditor qualifications, if any, to the Trustees within the timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May11, 2009 as amended from time to time. Besides, the Issuer shall within 180 days from the end of the financial year, submit a copy of the latest annual report to the Trustees and the Trustees shall be obliged to share the details so submitted with all 'Qualified Institutional Buyers' (QIBs) and other existing Bondholder(s) within two working days of their specific request
Risk factors pertaining to the issue	As per Para H of PAS 4
Governing Law and Jurisdiction	The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of the Courts at the city of Delhi only.
Trustees	SBICAP Trustee Co. Ltd.
Registrar	BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.
Mode of Subscription	As per SEBI EBP circulars and operational guidelines of Stock

	Exchanges Successful bidders are required to do the funds pay-in from their same bank account which is updated by them in the BSE Bond - EBP Platform (as applicable) while placing the bids and into the relevant designated bank account. In case of mismatch in the bank account details between BSE Bond - EBP Platform (as applicable) and the bank account from which payment is done by the successful bidder, the payment will be returned back. Payment should be made by the deadline specified by the BSE. Successful bidders should do the funds pay-in to the bank accounts of the clearing corporation of the relevant Exchange.
Manner of Bidding	Closed Bidding
Mode of Allotment/Allocation option	Uniform Yield
Mode of Settlement	Clearing Corporation of BSE (Indian Clearing Corporation Ltd)
ISSUE SCHEDULE:	
Issue Opening Date	18th December 2020
Issue Closing Date	18th December 2020
Pay-in Date	21st December 2020
Deemed Date of Allotment	21st December 2020

U. DISCLOSURE OF CASH FLOWS:

Set forth below is an illustration for guidance in respect of the day count convention and effect of holidays on payments. Investors should note that this example is solely for illustrative purposes. We have not considered the effect of public holidays as it is difficult to ascertain for future dates.

Company	MAHANAGAR TELEPHONE NIGAM LIMITED
Tenure	10 Years
Face Value (per security)	Rs 10,00,000/-
Deemed Date of Allotment	21st December 2020
Redemption	20th December 2030
Coupon Rate	6.85%
Frequency of the interest payment with specified dates	First Interest on 21st June 2021 and subsequent on 21st December 2021. Thereafter 21st June and 21st December till maturity
Day count Convention	Actual/Actual Coupon shall be computed on an "actual/actual basis". Where the coupon period (start date to end date) includes February 29, interest shall be computed on 366 days-a-year basis **(as per SEBI Circular no CIR/IMD/DF/18/2013 dated 29th Oct 2013 and CIR/IMD/DF-1/122/2016 dated 11th November 2016)**

Cash Flows

Coupon Payment	Actual Dates	Revised Dates	No. of days	Amount per Bond payable (in Rs.)
1st	Monday, 21 June, 2021	Monday, 21 June, 2021	182	34,156.00
2nd	Tuesday, 21 December, 2021	Tuesday, 21 December, 2021	183	34,344.00
3rd	Tuesday, 21 June, 2022	Tuesday, 21 June, 2022	182	34,156.00
4th	Wednesday, 21 December, 2022	Wednesday, 21 December, 2022	183	34,344.00
5th	Wednesday, 21 June, 2023	Wednesday, 21 June, 2023	182	34,156.00
6th	Thursday, 21 December, 2023	Thursday, 21 December, 2023	183	34,344.00
7th	Friday, 21 June, 2024	Friday, 21 June, 2024	183	34,250.00
8th	Saturday, 21 December, 2024	Monday, 23 December, 2024	183	34,250.00
9th	Saturday, 21 June, 2025	Monday, 23 June, 2025	182	34,156.00
10th	Sunday, 21 December, 2025	Monday, 22 December, 2025	183	34,344.00
11th	Sunday, 21 June, 2026	Monday, 22 June, 2026	182	34,156.00
12th	Monday, 21 December, 2026	Monday, 21 December, 2026	183	34,344.00
13th	Monday, 21 June, 2027	Monday, 21 June, 2027	182	34,156.00
14th	Tuesday, 21 December, 2027	Tuesday, 21 December, 2027	183	34,344.00
15th	Wednesday, 21 June, 2028	Wednesday, 21 June, 2028	183	34,250.00
16th	Thursday, 21 December, 2028	Thursday, 21 December, 2028	183	34,250.00
17th	Thursday, 21 June, 2029	Thursday, 21 June, 2029	182	34,156.00
18th	Friday, 21 December, 2029	Friday, 21 December, 2029	183	34,344.00
19th	Friday, 21 June, 2030	Friday, 21 June, 2030	182	34,156.00
20th	Friday, 20 December, 2030	Friday, 20 December, 2030	182	34,156.00
Redemption Date	Friday, 20 December, 2030	Friday, 20 December, 2030		10,00,000.00
Total				**16,84,812.00**

Assumptions and Notes:

1. The aggregate coupon payable to each Bondholder shall be rounded off to the nearest rupee as per the Fixed Income Money Market and Derivatives Association handbook on market practices.
2. The actual dates and maturity amount will be in accordance to and in compliance with the provisions of **SEBI circular CIR/IMD/DF-1/122/2016 dated November 11, 2016** giving effect to actual holidays and dates of maturity which qualifies the SEBI requirement.
3. For the purposes of the above illustration, non-business days i.e. Saturdays and Sundays have not been considered. Actual Interest / Maturity payment will be decided in accordance with SEBI regulation.

V. TERMS OF OFFER (DETAILS OF DEBT SECURITIES PROPOSED TO BE ISSUED, MODE OF ISSUANCE, ISSUE SIZE, UTILIZATION OF ISSUE PROCEEDS, STOCK EXCHANGES WHERE SECURITIES ARE PROPOSED TO BE LISTED, REDEMPTION AMOUNT, PERIOD OF MATURITY, YIELD ON REDEMPTION, DISCOUNT AT WHICH OFFER IS MADE AND EFFECTIVE YIELD FOR INVESTOR)

ISSUE SIZE

The Issuer proposes to raise an amount proposes to raise an amount aggregating to Rs. 2,138.60 Crores with a Base Issue Size of Rs. 500 Crores and green shoe option to retain oversubscription Upto Rs. 1,638.60 Crores aggregating to Rs 2,138.60 Crores

PRESENT ISSUE

MAHANAGAR TELEPHONE NIGAM LIMITED [MTNL] (hereinafter referred to as the 'Company'/'Issuer') proposes to raise Government of India Guaranteed, Rated, Unsecured, Redeemable, Listed, Taxable, Non- Convertible Debentures of Face Value of Rs. 10 Lakh each at par with a base issue size of Rs 500 Crores and green shoe option to retain oversubscription upto Rs 1,638.60 crores aggregating to total Issue size not exceeding Rs 2,138.60 crores on private placement basis..

NATURE OF THE INSTRUMENT

Government of India Guaranteed, Rated, Unsecured, Redeemable, Listed, Taxable, Non- Convertible Debentures of Face Value of Rs. 10 Lakh each

FACE VALUE, ISSUE PRICE, EFFECTIVE YIELD FORINVESTOR

Each Debenture has a face value of Rs. 10,00,000 /- (Rupees ten lakhs only) and is issued at par i.e. for Rs. 10,00,000/- (Rupees ten lakhs only) per Debenture.

MINIMUM APPLICATION

The application should be for a minimum of Rs. 10 lakhs (1 Bond) and in multiples of 10 lakhs (1 Bond) thereafter.

LISTING

The Company proposes to list these Bonds on the Wholesale Debt Market (WDM) Segment of the BSE.

SECURITY

Unsecured Bonds backed by Sovereign Guarantee of Govt. of India

OBJECTS OF THE PLACEMENT

For refinancing of existing borrowings and Capex funding.

UTILIZATION OF THE ISSUE PROCEEDS

The proceeds of the issue shall be utilized as per the object clause of the term sheet.

ELIGIBILITY TO COME OUT WITH THE ISSUE

The Issuer or the person in control of the Issuer, or its promoter, has not been restrained or prohibited or debarred by SEBI/ any other Government authority from accessing the securities market or dealing in securities and such direction or order is in force.

REGISTRATION AND GOVERNMENT APPROVALS

The Company can undertake the activities proposed by it in view of the present approvals and no further approval from any government authority (ies) is required by it to undertake the proposed activities save and except those approvals which may be required to be taken in the normal course of business from time to time.

AUTHORITY FOR THE ISSUE COMPANY

The present placement of Bonds is being made pursuant to the following:

- Resolution passed by the Board of Directors of the company at its Headquarters in the meeting held on 22.07.2020 & shareholder meeting on 08.01.2020.
- Ministry of Communications (Department of Telecommunications) Government of India vide its letter No F.No.30-5/2015-PSU Affairs dated 02.09.2020 has conveyed presidential approval and executed a Guarantee Agreement dated 09.09.2020 with MTNL and SBICAP Trustee Company Limited in the capacity of Trustees for the Bondholders.
- Sovereign Guarantee authorization as issued by Ministry of Finance vide letter no. 12(19)-B(SD)/2020 dated 20.08.2020

UNDERWRITING

The present Issue of Bonds on private placement basis has not been underwritten.

GUARANTEE

Ministry of Communications (Department of Telecommunications) Government of India vide its letter No F.No.30-

5/2015-PSU Affairs dated 02.09.2020 has conveyed presidential approval and executed a Guarantee Agreement dated 09.09.2020 with MTNL and SBICAP Trustee Company Limited in the capacity of Trustees for the Bondholders, conveying its unconditional and irrevocable guarantee for the repayment of principal amount of bonds of MTNL for an amount of Rs. 6,500 Crores and normal interest thereon and the present issue is for Rs 2,138.60 Crores as bonds to the tune of Rs 4,361.40 Crores were already raised on 12/10/2020

Sovereign Guarantee authorization as issued by Ministry of Finance vide letter no. 12(19)-B(SD)/2020 dated 20.08.2020

The guarantee letter, presidential approval and the guarantee agreement in this regard signed on 09.09.2020 is forming part of **Annexure VIII & X**

STRUCTURED PAYMENT MECHANISM

The Guarantee Agreement dated 09.09.2020 provides for a Structured Payment Mechanism whereby a Designated Trust & Retention Account ("TRA") in the name of **"MAHANAGAR TELEPHONE NIGAM LIMITED, (MTNL)-Bond Account"** shall be opened exclusively for the benefit of the Trustee (on behalf of the Bondholders). The following payment structure (wherein "T1" is assumed to be the due date for interest payments and "T2" is assumed to be the due date for principal repayment of the Bonds) is envisaged for meeting the obligations on the rated Bonds as detailed out in Annexure II of the guarantee agreement.

Interest Payments:

Trigger Date	Action Point
(T1-30) th day*	Trustees to inform MTNL and the DOT/GOI in writing regarding the due date for payment of interest amount so that the necessary arrangements could be made for meeting the interest payment obligations on the Bonds.
(T1-10) th day*	The Designated Trust and Retention Account is to be funded by MTNL to the tune of the interest obligations on the Bonds.
(T1-8) th day*	If the Designated Trust and Retention Account is not funded to the requisite extent by (T1-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to DOT/GOI.
(T1-3) th day*	Last date by which DOT/GOI shall deposit requisite funds in the Designated Trust and Retention Account as per the Notice of Invocation served by the Trustees.

*If any Coupon Payment Date falls on a day that is not a Business Day, the payment shall be made by the Issuer on the following working day in line with SEBI circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016.

Principal Repayment:

Trigger Date	Action Point
(T2-30) th day*	Trustees to inform MTNL and the DOT/GOI in writing regarding the due date for repayment of Principal amount so that the necessary arrangements could be made for meeting the Principal repayment obligations on the Bonds.
(T2-10) th day*	The Designated Trust and Retention Account is to be funded by MTNL to the tune of the Principal obligations on the Bonds.
(T2-8) th day*	If the Designated Trust and Retention Account is not funded to the requisite extent by (T2-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to DOT/GOI.

(T2-3) th day*	Last date by which DOT/GOI shall deposit requisite funds in the Designated Trust and Retention Account as per the Notice of Invocation served by the Trustees.

* If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds shall be paid by the Issuer on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.

AN UNDERTAKING THAT THE ISSUER SHALL USE A COMMON FORM OF TRANSFER

The Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Company.

The Company undertakes that it shall use a common form/ procedure for transfer of Bonds issued under terms of this Private Placement Offer Letter.

TERMS AND CONDITIONS OF THE ISSUE

This is a confidential Private Placement Offer Letter setting out the terms and conditions pertaining to issue of under Private Placement of Govt. of India Guaranteed, Rated, Unsecured, Redeemable, Non-Convertible, Listed, Taxable Bonds in the nature of debentures of the Face Value Rs. 10 Lakhs each for cash at par, with a base issue size of Rs. 500 Crores and green shoe option to retain oversubscription upto Rs. 1,638.60 Crores aggregating to a total issue size Rs. 2,138.60 Crores ("issue") by **MAHANAGAR TELEPHONE NIGAM LIMITED** [MTNL]. Your participation is subject to the completion and submission of Application Form along with application money and acceptance of the offer by the Company.

TERMS OF PAYMENT

The full face value of the Bonds applied for is to be paid along with the Application Form. Investor(s) need to send in the Application Form and the NEFT/RTGS for the full face value of the Bonds applied for

Face Value Per Bond	Minimum Application for
Rs. 10 Lakhs	Rs. 10 Lakhs

DEEMED DATE OF ALLOTMENT

The deemed date of Allotment as per Term Sheet.

Interest on Bonds shall accrue to the Bond holder(s) from the Deemed Date of Allotment. All benefits relating to the Bonds will be available to the investors from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment. The Company reserves the right to keep multiple allotment date(s)/ deemed date(s) of allotment at its sole and absolute discretion without any notice. Incase if the issue closing date is changed (pre-poned/ postponed), the Deemed Date of Allotment may also be changed (pre-poned/ postponed) by the Company at its sole and absolute discretion.

MINIMUM SUBSCRIPTION

As the current issue of Bonds is being made on private placement basis, the requirement of minimum subscription shall not be applicable and therefore the Company shall not be liable to refund the issue subscription(s)/ proceed(s) in the event of the total issue collection falling short of issue size or certain percentage of issue size.

BASIS OF ALLOCATION / ALLOTMENT

The issuer reserves the right to reject any/all applications fully or partially at its sole discretion, without assigning any reason whatsoever.

MARKET LOT

The market lot will be one Bond ("Market Lot"). Since the Bonds are being issued only in dematerialized form, the odd lots will not arise either at the time of issuance or at the time of transfer of Bonds.
The market lot will be 1 Bond of the face value of Rs. 10 lakhs (Rupees Ten lakhs)

TRADING OF BONDS

The marketable lot for the purpose of trading of Bonds shall be 1 Bond of face value of Rs. 10 Lakhs each. Trading of Bonds would be permitted in demat mode only in standard denomination of Rs. 10 Lakhs and such trades shall be cleared and settled in recognized stock exchange(s) subject to conditions specified by SEBI. In case of trading in Bonds which has been made over the counter, the trades shall be reported on a recognized stock exchange having a nationwide trading terminal or such other platform as may be specified by SEBI.

INTEREST ON THE BONDS

The Bonds shall carry interest at appropriate coupon rate p.a. payable Semi-annually (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Company) on the outstanding principal amount of Bonds. The interest shall be serviced semi-annually throughout the tenure of the Bonds till final redemption. The Final interest payment would be made on redemption date along with the redemption of principal amount. Interest on Bonds will cease on the date of final redemption in all events.

The Bonds shall carry interest at the Coupon Rate from, and including, the Deemed Date of Allotment up to, but excluding the Due Date/ Redemption Date, as the case may be, payable on the **"Coupon Payment Dates",** on the outstanding principal amount of Bonds till Due Date/ redemption date, to the holders of bonds (the **"Holders"** and each, a **"Holder")** as of the relevant Record Date. Interest on Bonds will cease from the Due Date/ Redemption Date, as the case may be, in all events.

Payment of interest shall be made through electronic mode to the bondholders who names appear on the list of beneficial owners given by the DP to R&TA as on the record date fixed by the issuer in the bank account which is linked to the demat of the bondholder. In absence of complete bank details i.e correct/updated bank account number, IFSC/ RTGS/ NEFT code etc. the issuer shall make the payment through demand draft(s) or any other mode of payment as per the discretion of the issuer.

If the interest payment date falls on a holiday, the payment may be made on the following working day however the dates of the future coupon payments would be as per the schedule originally stipulated at the time of issuing the security in line with SEBI circular No CIR/IMD/DF-1/122/2016 dated November 11, 2016. In case the Deemed Date of Allotment is revised (pre-poned/ postponed) then the Interest Payment Dates may also be revised pre-poned/ postponed) accordingly by the Company at its sole & absolute discretion.

PAYMENT OF INTEREST/ PRINCIPAL

Payment of interest and repayment of principal shall be made by way of credit through RTGS/NEFT or any other electronic mode offered by the Bank. Wherever the payment is not possible due to non-availability of Banking Details, the payment of interest and repayment of principal shall be made by through DD. DD shall be dispatched through Speed Post.

The interest payment mode of payment is subject to the Regulation 12 of SEBI (LODR), Regulation 2015.

COMPUTATION OF INTEREST

Interest for each of the interest periods shall be computed as per Actual/ Actual day count convention on the face value amount of Bonds outstanding at the Coupon Rate rounded off to the nearest Rupee. Where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days- a-year basis, on the face value amount of Bonds outstanding.

EFFECT OF HOLIDAYS: - As per SEBI Circular Dated November 11, 2016

If the Interest Payment Date falls on a holiday, the payment of Interest up to original scheduled date, will be made on the following working day, however the dates of the future Interest payments will be in accordance with the schedule originally stipulated at the time of issuing the security.

If the Redemption Date (also being the last Interest Payment Date) of the Debentures falls on a day that is not a Business Day, the Redemption Amount shall be paid by the Issuer on the immediately preceding Business Day along with Interest accrued on the Debentures until but excluding the date of such payment.

It is clarified that Interest and/or Redemption Amount with respect to the Debentures shall be made only on the days when the money market is functioning in Mumbai. If the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.

RECORD DATE

The **"Record Date"** for the Bonds shall be 15 days prior to each Coupon Payment Date, Due Date and Redemption Date. In case of redemption of Bonds, the trading in the Bonds shall remain suspended between the Record Date and the Redemption Date. Interest payment and principal repayment shall be made to the person whose name appears as beneficiary with the Depositories as on Record Date. In the event of the Issuer not receiving any notice of transfer at least 15 days before the respective Coupon Payment Date and Redemption Date, the transferees for the Bonds shall not have any claim against the Issuer in respect of amount so paid to the registered Bondholders.

In the event the Record Date falls on a day which is not a Business Day, the immediately succeeding Business Day will be considered as the Record Date.

PUT & CALL OPTION

NA

REDEMPTION

The face value of the Bonds shall be redeemed at par, on the Redemption Date. The Bonds will not carry any obligation, for interest or otherwise, after the Redemption Date. The Bonds shall be taken as discharged on payment of the redemption amount by the Issuer on the Redemption Date to the registered Bondholders whose name appear in the Register of Bondholders on the Record Date. Such payment will be a legal discharge of the liability of the Issuer towards the Bondholders.

Redemption will be as per Term Sheet.

PAYMENT ON REDEMPTION

Payment on redemption will be made by warrants(s)/RTGS in the name of the Bond holder whose name appears on the List of Beneficial owners given by Depository to the Company as on the Record Date. On the Company dispatching the redemption warrants to such Beneficiary (ies) by registered post/ courier, the liability of the Company shall stand extinguished.

The Bonds shall be taken as discharged on payment of the redemption amount by the Company on maturity to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant. Such payment will be a legal discharge of the liability of the Company towards the Bond holders. On such payment being made, the Company will inform NSDL/ CDSL/ Depository Participant and accordingly the account of the Bond holders with NSDL/ CDSL/ Depository Participant will be adjusted.

The Company's liability to the Bond holders towards all their rights including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further the Company will not be liable to pay any interest or compensation from the date of redemption. On the Company dispatching the amount as specified above in respect of the Bonds, the liability of the Company shall stand extinguished.

DEPOSITORY ARRANGEMENTS

The Company has appointed M/s Beetal Computer & Financial services (p) Ltd. as Registrars & Transfer Agent for the present bond issue. The Company shall make necessary depository arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for issue and holding of Bond in dematerialized form. In this context the Company shall sign two tripartite agreements as under:

- Tripartite Agreement between Issuer Company, RTA and National Securities Depository Ltd. (NSDL) for offering depository option to the investors.
- Tripartite Agreement between Issuer Company, RTA and Central Depository Services (I) Ltd. (CDSL) for offering depository option to the investors.

Investors can hold the Bonds only in dematerialized form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

LIST OF BENEFICIAL OWNERS

The Company shall request the Depository to provide a list of Beneficial Owners as at the end of the Record Date. This shall be the list, which shall be considered for payment of interest or repayment of principal amount on maturity, as the case may be.

LETTER OF ALLOTMENT AND BOND CERTIFICATE

The beneficiary account of the investor(s) with National Securities Depository Limited (NSDL)/ Central Depository Services (India) Limited (CDSL)/ Depository Participant will be given initial credit within 2 days from the Deemed Date of Allotment. The initial credit in the account will be akin to the Letter of Allotment. On completion of the all statutory formalities, such credit in the account will be akin to a Bond Certificate.

ISSUE OF BOND CERTIFICATE(S)

Subject to the completion of all statutory formalities within time frame prescribed in the relevant regulations/ act/ rules etc, the initial credit akin to a Letter of Allotment in the Beneficiary Account of the investor would be replaced with the number of Bonds allotted. The Bonds since issued in electronic (dematerialized) form, will be governed as per the provisions of The Depository Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, rules notified by NSDL/ CDSL/ Depository Participant from time to time and other applicable laws and rules notified in respect thereof. The Bonds shall be allotted in dematerialized form only.

ISSUE OF DUPLICATE INTEREST/REDEMPTION DEMAND DRAFT(s)

If any, Interest /redemption Demand Draft(s) is lost, stolen or destroyed, then upon production of proof thereof to the satisfaction of MTNL and upon furnishing such indemnity as MTNL may deem adequate and upon payment of any expenses incurred by MTNL in connection thereof, new interest/redemption Demand Draft(s) will be issued. A fee may be charged by MTNL not exceeding such sum as may be prescribed by law on each duplicate interest/ redemption Demand Draft(s) issued in accordance with this provision. If any interest/redemption Demand Draft(s) is/are mutilated or defaced, then, upon surrender of such interest /redemption Demand Draft(s), MTNL shall cancel the same and issue a duplicate interest/redemption Demand Draft(s) in lieu thereof. The procedure for issue of the duplicate shall be governed by the provisions of the Bond Regulations.

JOINT-HOLDERS

Where two or more persons are holders of any Bond(s), they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to other provisions contained in the Articles.

SHARING OF INFORMATION

The Company may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Bond holders available with the Company, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Company or its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

MODE OF TRANSFER OF BONDS

Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

Transfer of Bonds to and from NRIs/ OCBs, in case they seek to hold the Bonds and are eligible to do so, will be governed by the then prevailing guidelines of RBI. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Company.

SUCCESSION

In the event of the demise of the sole/first holder of the Bond(s) or the last survivor, in case of joint holders for the time being, the Company shall recognize the executor or administrator of the deceased

Bond holder, or the holder of succession certificate or other legal representative as having title to the Bond(s). The Company shall not be bound to recognize such executor or administrator, unless such executor or administrator obtains probate, wherever it is necessary, or letter of administration or such holder is the holder of succession certificate or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter. The Company may, in its absolute discretion, where it thinks fit, dispense with production of probate or letter of administration or succession certificate or other legal representation, in order to recognize such holder as being entitled to the Bond (s) standing in the name of the deceased Bondholder on production of sufficient documentary proof or indemnity.

Where a non-resident Indian becomes entitled to the Bond by way of succession, the following steps have to be complied with:

- Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Bond was acquired by the NRI as part of the legacy left by the deceased holder.
- Proof that the NRI is an Indian National or is of Indian origin.

Such holding by the NRI will be on a non-repatriation basis and all the payment will be made through proper banking channel and the payments will be made only in Indian National Rupee..

RIGHT TO ACCEPT OR REJECT APPLICATIONS

The Company reserves it's full, unqualified and absolute right to accept or reject any application, in part or in full, without assigning any reason thereof. The rejected applicants will be intimated along with the refund warrant, if applicable, to be sent. Interest on application money will be paid from the date of realization of application money till one day prior to the date of refund. The application forms that are not complete in all respects are liable to be rejected and would not be paid any interest on the application money. Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

- Number of Bonds applied for is less than the minimum application size;
- Applications exceeding the issue size;
- Bank account details not given;
- Details for issue of Bonds in electronic/ dematerialized form not given; PAN/GIR and IT Circle/Ward/District not given;
- In case of applications under Power of Attorney by limited companies, corporate bodies, trusts, etc relevant documents not submitted;

In the event, if any Bond(s) applied for is/ are not allotted in full, the excess application monies of such Bonds will be refunded, as may be permitted.

FICTITIOUS APPLICATIONS

Attention of the Applicants is specifically drawn to the provisions of sub-section (1) of section 38 of the Companies Act, 2013 which is reproduced below:

"Any person who—
(a) Makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or
(b) Makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for it securities ;or
(c) Otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name.

Shall be liable for action under section 447."

FUTURE BORROWINGS

The Company shall be entitled, from time to time, to make further issue of bonds and / or Bonds and other such instruments to the public / members of the Company / banks / financial institutions / bodies corporate /mutual funds and/or any other person(s) and /or to raise further loans, advances and/or avail of further financial and/ or guarantee facilities from all or any of the above without obtaining the approval of the Bondholders and/or the Trustee.

RIGHTS OF BOND HOLDER(S)

The Bond holders will not be entitled to any rights and privileges of shareholders other than those available to them under statutory requirements. The Bonds shall not confer upon the holders the right to receive notice, or to attend and vote at the general meetings of shareholders of the Company. The principal amount and interest, if any, on the Bonds will be paid to the sole holder only, and in the case of joint holders, to the one whose name stands first in the Register of Bond holders. The Bonds shall be subject to other usual terms and conditions incorporated in the Bond certificate(s) that will be issued to the allottee (s) of such Bonds by the Company and also in the Trustee Agreement / Trust Deed.

MODIFICATION OF RIGHTS

The rights, privileges, terms and conditions attached to the Bonds may be varied, modified or abrogated with the consent, in writing, of those holders of the Bonds who hold at least three fourth of the outstanding amount of the Bonds or with the sanction accorded pursuant to a resolution passed at a meeting of the Bondholders, provided that nothing in such consent or resolution shall be operative against the Company where such consent or resolution modifies or varies the terms and conditions of the Bonds, if the same are not acceptable to the Company.

BONDHOLDER NOT A SHAREHOLDER

The bondholders will not be entitled to any of the rights and privileges available to the shareholders. If, however, any resolution affecting the rights attached to the Bonds is placed before the members of the Company, such resolution will first be placed before the bondholders through the Trustees for their consideration.

NOTICES

All notices required to be given by the Issuer or by the Trustees to the Bondholders shall be deemed to have been given if sent by ordinary post/ courier to the original sole/ first allottees of the Bonds and/ or if published in one All India English daily newspaper and one regional language newspaper.

All notices required to be given by the Bondholder(s), including notices referred to under "Payment of Interest" and "Payment on Redemption" shall be sent by registered post or by hand delivery to the Issuer or to such persons at such address as may be notified by the Issuer from time to time.

EVENT OF DEFAULT

Payment Default

a. The Trustee shall within 30 days before each due date inform the Company in writing regarding the Due date and the provision of Adequate Funds by MTNL. The Company shall ensure that adequate funds are available in the Designated account latest by 10 calendar days before the Due date

b. In case the Designated Account does not have Adequate Funds latest by Ten (10) days prior to the Due 'date, it shall constitute a payment Default.

c. In case of a Payment Default " the Trustee shall forthwith invoke the GOI Guarantee, in case the Designated account is not funded to the requisite extent by at least 8 days before the payment Due date by sending a notice to DOT.

d. Any invocation of the guarantee pursuant to the Guarantee Agreement should be within Sixty (60) days from the Due date. In case the guarantee is not invoked within the stipulated period of Sixty (60) days, the guarantee shall cease to exist only for that portion of the Principal and/or Interest for which the guarantee has not been invoked.

ADDITIONAL COVENANTS

1. **DEFAULT IN PAYMENT:** In case of default in payment of interest and/or principal redemption on the due dates, additional interest of at least @ 2% p.a. over the Coupon Rate will be payable by the Issuer for the defaulting period.

2. **DELAY INLISTING:** In case of delay in listing of the debt securities beyond 4 days from the Deemed Date of Allotment, the Company will pay penal interest of at least 1% p.a. over the coupon rate from the Deemed Date of Allotment till the listing of such debt securities to the investor.

3. On the happening of any of the event of default, in addition to the rights specified above, the Debenture Holders/Bond Trustees shall have the right as indicated in the SEBI Regulations/ Company Act 2013 from time to time.

PAN/GIR NUMBER

All applicants should mention their Permanent Account Number or the GIR Number allotted under Income Tax Act, 1961 and the Income Tax Circle/ Ward/ District. In case where neither the PAN nor the GIR Number has been allotted, the fact of such a non-allotment should be mentioned in the Application Form in the space provided.

TAX DEDUCTION AT SOURCE

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. Tax exemption certificate/ document, under Section 193 of the Income Tax Act, 1961, if any, must be lodged at the registered office of the Company or at such other place as may be notified by the company in writing, at least 30 (thirty) calendar working days before the interest payment dates. Tax exemption certificate/ declaration of non-deduction of tax at source on interest on application money, should be submitted along with the application form. Where any deduction of Income Tax is made at source, the Company shall send to the Bondholder(s) a Certificate of Tax Deduction at Source. Regarding deduction of tax at source and the requisite declaration forms to be submitted, prospective investors are advised to consult their own tax consultant(s). Tax Deducted at source will paid to Income tax authorities on accrual or payment whichever is earlier basis

TAX BENEFITS TO THE BOND HOLDERS OF THE COMPANY

The holder(s) of the Bonds are advised to consider in their own case, the tax implications in respect of subscription to the Bonds after consulting their own tax advisor/ counsel.

CLOSURE OF BOND ISSUE

In case the Company subscribes the entire money i.e. to the extent of total issue size including oversubscription, as mentioned in this document, much before the Issue closure date, as mentioned in this Private Placement Offer Letter, MTNL reserves the right to close the Bond Issue from further subscription even before the Issue Closure date, extend the issue beyond the closure date mentioned in this Private Placement Offer Letter and consequently deemed date of allotment at the sole discretion of the Company.

SIGNATURES

Signatures should be made in English or in any of the Indian Languages. Thumb impressions must be attested by an authorized official of a Bank or by a Magistrate/ Notary Public under his/her official seal.

ACKNOWLEDGEMENTS

No separate receipts will be issued for the application money. However, the Bankers to the Issue receiving the duly completed Application Form will acknowledge receipt of the application by stamping and returning to the applicant the acknowledgement slip at the bottom of each Application Form.

DISPUTES & GOVERNING LAW

The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof will be subject to the jurisdiction of the Courts at the city of New Delhi only.

FORCE MAJEURE

The Company reserves the right to withdraw the issue prior to the closing date in the event of any unforeseen development adversely affecting the economic and regulatory environment. The Company reserves the right to change the Issue Schedule.

THE DISCOUNT AT WHICH SUCH OFFER IS MADE AND THE EFFECTIVE PRICE FOR THE INVESTOR AS A RESULT OF SUCH DISCOUNT

The bonds are being issued at face value and not at discount to offer price.

A. MATERIAL CONTRACTS:

a. Copy of letter appointing Registrar and Transfer Agents and copy of Agreement entered into between the Company and the Registrar.
b. Copy of letters appointing Arranger(s) to the Issue
c. Copy of letter appointing Trustees to the Bondholders.
d. Debenture Trustee Agreement
e. Tri party agreement between Issuer, NSDL and Registrar for issue of debentures in dematerialized form
f. Tri party agreement between Issuer, CDSL and Registrar for issue of debentures in dematerialized form
g. Guarantee Agreement/ Tripartite Guarantee Agreement among MTNL, DOT and Trustee
h. Escrow agreement

B. <u>DOCUMENTS:</u>

a. Memorandum and Articles of Association of the Company as amended from time to time.
b. Board Resolution dated 14th November 2019 and 22nd July 2020 and Shareholders Resolution dated 08th January 2020 authorizing issue of Bonds offered under terms of this Private Placement Offer Letter.
c. Letter of consent from SBI CAP Trustee Co. Ltd. for acting as trustees for and on behalf of the holder(s) of the Bonds.
d. Letter of consent from the BEETAL for acting as Registrars to the Issue.
e. Application made to the BSE for grant of in-principle approval for listing of Bonds.
f. Letter from CRISIL, CARE and BRICKWORK conveying the credit rating for the Bonds.
    - Tripartite Agreement between the Issuer, NSDL and Registrars for issue of Bonds in dematerialized form.
    - Tripartite Agreement between the Issuer, CDSL and Registrars for issue of Bonds in dematerialized form.

Any of the contracts or documents mentioned in this Information Memorandum may be amended or modified at any time if so required in the interest of the Company or if required by the other parties, without reference to the Bondholders subject to compliance of the provisions contained in the Companies Act and other relevant statutes.

W. FORM NO. PAS –4

FORM NO. PAS – 4

PRIVATE PLACEMENT OFFER LETTER

[Pursuant to section 42 and rule 14(1) of Companies (Prospectus and Allotment of Securities) Rules, 2014]

1) GENERAL INFORMATION

a) Name, address, website and other contact details of the company indicating both registered office and corporate office;

Sr.No	PARTICULARS	:	DETAILS
(i)	REGISTERED OFFICE OF THE ISSUER		
	Name	:	MAHANAGAR TELEPHONE NIGAM LTD.
	Address	:	Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;
	Tele No	:	011-24319020
	Fax No	:	011-24324243
	Email	:	mtnlcsco@gmail.com
	Website	:	http://mtnl.in/
(ii)	CORPORATE OFFICE OF THE ISSUER		
	Name	:	MAHANAGAR TELEPHONE NIGAM LTD.
	Address	:	Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;
	Tele No	:	011-24319020
	Fax No	:	011-24324243
	Email	:	mtnlcsco@gmail.com
	Website	:	http://mtnl.in/
(iii)	Compliance Officer		
	Name	:	S R Sayal
	Address	:	Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;
	Tele No	:	011-24317225
	Email	:	mtnlcsco@gmail.com
	Website	:	http://mtnl.in/
(iii)	Chief Finance Officer (Appointed by the government but yet to formally take over)		
	Name	:	Suresh Kumar Gupta
	Address	:	MAHANAGAR TELEPHONE NIGAM LTD Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;.
	Tele No	:	011-24321095
	Email	:	dirfin@mtnl.in
	Website	:	http://mtnl.in/

b) Date of incorporation of the company

01-04-1986

c) Business carried on by the company and its subsidiaries with the details of branches or units, if any;

Please refer page number 15 of this Private Placement Offer Letter.

*** Subsidiaries with the details of branches or units, if any;**

Please refer page number 22 of this Private Placement Offer Letter.

d) Brief particulars of the management of the company;

Please refer page number 27 of this Private Placement Offer Letter.

e) Names, addresses, DIN and occupations of the directors;

Please refer page number 27 of this Private Placement Offer Letter

f) Management's perception of risk factors:

An investment in Bonds involves a certain degree of risk. It should carefully be considered all the information in this Offer Letter, including the risks and uncertainties described in this document before making an investment in the Bonds. The risk factors set forth in this document do not purport to be complete or comprehensive in terms of all the risk factors that may arise in connection with our business or any decision to purchase, own or dispose of the Bonds. Additional risks and uncertainties not known to the Company or that the Company currently believes to be immaterial may also have an adverse effect on its business, prospects, results of operations and financial condition. If any of the following or any other risks actually occur, the Company's business, prospects, results of operations and financial condition could be adversely affected and the price and value of your investment in the Bonds could decline such that you may lose all or part of your investment.

Unless otherwise stated, our financial information used in this section is derived from our Standalone Reformatted Financial Information, prepared in accordance with accounting standards generally accepted in India.

Internal Risk Factors

i. We have contingent liabilities that we have not provided for, which if materialize, may adversely affect our financial condition.

Our total contingent liabilities that have not been provided for as of March 31st, 2020, were Rs.7592.02 Crores as on 31.03.2020. The details are as follows:

Claims against the company not acknowledged as debts are as follows: (In Rs. Crores)

Particulars	As at 31 March 2020	As at 31 March 2019
	Amount	Amount
Income Tax demands	364.93	399.79
sales tax, service tax, municipal tax demands	835.49	835.89
Pending arbitration cases	2500.99	2440.63
Demands not yet acknowledged/arisen	654.31	3234.93
License fees related demands under review	2865.04	1197.07
Others	371.26	370.11
Total	**7592.02**	**8478.42**

ii. We are currently involved in litigation which may be exposed to litigation risks

Legal proceedings covering a wide range of matters are pending or threatened against us. We have accrued amounts as appropriate that represent our estimate of the probable outcome of these matters. The judgments we make with regard to whether to establish a reserve are based on an evaluation of all relevant factors by internal and external legal counsel, as well as subject matter experts and is based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Claims are continually monitored and reevaluated as new information is obtained. We may not establish a liability for a particular matter until long after the litigation is filed, once a liability becomes probable and estimable. The actual settlement of such matters could differ from the judgments made in determining how much, if any, to accrue. We do not believe these proceedings will have a material adverse effect on our consolidated financial position.

Our Company is currently involved in certain proceedings and claims pending at different levels of adjudication before various authorities. Additionally, should any new development arise against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may reduce our profitability. We can give no assurance that these legal proceedings will be decided in our favor. Any adverse outcome in any or all of these proceedings may affect our business, results of operations and financial condition

All these are constantly evaluated and the contingent liabilities to the extent the claims on account of various disputes are disclosed as above.

External Risk Factors

(i) Economic Slow down in the current scenario

Our results of operations are significantly affected by factors influencing the Indian economy in general at present. Any slowdown in economic growth in India could adversely affect us, including our ability to grow our project portfolio and our ability to implement our strategy. Any such slowdown could adversely affect our business, prospects, results of operations and financial condition.

(ii) Political instability or changes in GoI policies could adversely affect economic conditions in India generally, and consequently, our business inparticular.

We are incorporated in India, derive our revenues from operations in India and all of our assets are located in India. Consequently, our performance may be affected by interest rates, government policies, taxation, social and ethnic instability and other political and economic developments affecting India.

GoI has traditionally exercised and continues to exercise a significant influence over many aspects of the economy. Since 1991, successive governments have pursued policies of economic and power sector liberalization and deregulation and encouraged infrastructure projects. The present government has announced its general intention to continue India's current economic liberalization and deregulation policies. However, the rate of economic liberalization could change and there can be no assurance that such policies will be continued. A significant change in GoI's policies in the future, particularly in respect of the banking and finance industry and the infrastructure sector, could affect business and economic conditions in India. This could also adversely affect our business, prospects, results of operations and financial condition.

(iii) Any down grading of India's sovereign rating by a credit rating agency could have a negative impact on our business, financial condition and results of operations.

Any adverse revisions to India's sovereign credit ratings for domestic debt by credit rating agencies, which is unlikely and remote may adversely impact the interest rates and other commercial terms at which such financing is available to us. Consequently, if India's sovereign credit rating downgrades, we may not be able to raise loans at competitive rates and, accordingly, we may not be able to maintain the profitability or growth of our business. Accordingly, any adverse revisions to our credit rating or the India's sovereign credit rating could have a material adverse effect on our business, financial condition and results of operations, our ability to obtain financing for capex and opex operations.

g) Management assessment on the net worth:

Net worth of MTNL is negative as on 31/03/2020 to the tune of Rs 13,585.65 Crores as the land and buildings assets of MTNL are continued to be shown at historic cost. MTNL has large pieces of real estate assets in Delhi & Mumbai which are recorded at historical values since inception in 1986. The intrinsic value of such properties is very high in the present market vis-à-vis the book values. In view of the same the Govt. approved monetization of these assets. Considering all such factors the Cabinet on 23.10.2019 approved the monetization of land/building assets of MTNL considered worth Rs. 23,007 Cr to be monetized in accordance with DIPAM guidelines. The target for monetization has been set out as Rs 7,000 Cr each for FY 2020-2021 and FY 2021-2022. Properties identified for monetization have been processed. The Presidential approval for monetization has already been received. For the first Phase, properties having tentative market value of Rs 6,228 Cr, have been accepted by DIPAM. Besides due to VRS given to 14,387 number of employees, the staff strength has reduced to around 4,000 from 20,000 and reduced staff cost by almost to the tune of Rs 1,500 crores per annum. Thus with the combined effect of reduction of staff and the other measures of revival as per Cabinet approval dated 23-10-2019 by Govt. of India including monetization of assets as explained above and sanctioning of 4G spectrum against capital infusion as well as also grant of Sovereign guarantee for Rs 6,500 crores, against which this present issue is brought out for Rs 2,138.60 Crores after issuing bonds worth Rs 4,361.40 Crores on 12/10/2020. The company therefore reasonably expects to mitigate the net worth concerns. Besides for last 3 quarters company has become EBITDA positive.

h) Risks Relating to the Bonds

i. **There has been only a limited trading in the bonds and it may not be available on sustained basis in the future and the price of the Bonds may or may not be volatile.**
Although the Bonds are proposed to be listed on BSE, there can be no assurance that a public market for these Bonds would be available on a sustained basis. Although the sovereign guarantee backing by Govt. of India could contain the market volatility the liquidity and market prices of the Bonds can be expected to vary with changes in market and economic conditions as well as our financial condition and prospects and other factors that generally influence market price of Bonds. Such fluctuations may significantly affect the liquidity and market price of the Bonds, which may trade at a discount to the price at which the Bonds are issued. This may not

ii. **There is no guarantee that the Bonds issued pursuant to the Issue will be listed on BSE in a timely manner.**
In accordance with Indian law and practice, permissions for listing and trading of the Bonds issued pursuant to this Issue will not be granted until after the Bonds have been issued and allotted. Approval for listing and trading will require all relevant documents authorizing the issuing of Bonds to be submitted. There could be a failure or delay in listing the Bonds on the Stock Exchange.

iii. **Any downgrading in credit rating of our Bonds may affect the trading price of our Bonds**.
The Bonds proposed to be issued have been rated "CRISIL AAA (CE)/Stable" by 'CRISIL Limited, "CARE AAA(CE); Stable" by CARE Ratings Limited and "BWR AAA(CE)/Stable" by Brickwork India Rating Ltd. We cannot guarantee that this rating will not be downgraded. These ratings may be suspended, withdrawn or revised at any time. Any revision or downgrading in the credit rating may lower the trading price of the Bonds and may also affect our ability to raise further debt.

iv. **Payments made on the Bonds will be subordinated to certain tax and other liabilities preferred by law.**
The Bonds although are un-subordinated and are backed by irrevocable guarantee of Govt. of India, the same may be subjected to certain liabilities preferred by law such as to claims of GoI on account of taxes, and certain liabilities incurred in the ordinary course of our transactions having legal obligation. In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay obligations on the Bonds only after all such liabilities that rank senior to these Bonds, by the dint of any specific laws, have been paid.

v. **The Debentures bear certain regulatory risks**
Further, the exercise by the Debentures Trustee of the powers and remedies conferred on it respectively under the SEBI regulations on Debentures, and the related transaction documents, otherwise vested in them by law, will be subject to general equitable principles regarding the enforcement of security, the general supervisory powers and discretion of the Indian courts in the context thereof and the obtaining of any necessary governmental or regulatory consents, approvals, authorizations or orders. In the event any dispute arises between the Company and a holder of the Debentures, the holder may need to take judicial

proceedings before courts in India. It is not unusual for court proceedings in India to continue for extended periods. Disposition of cases may also be subject to various delays including as a result of multiple levels of appellate adjudication.

i) Details of default, if any, including therein the amount involved, duration of default and present status, in repayment of:

i) Statutory dues - NIL
ii) Debentures and interest thereon - NIL
iii) Deposits and interest thereon - NIL
iv) Loans from any bank and financial institution and interest thereon – NIL

Note 1. As per audited financials for the year ended 31.3.2020, there are no statutory dues pending against the company.
Note 2. Besides, in the matter of Civil Appeal No 6328-6399 of 2015, vide judgment dated 24-10-2019 in which neither MTNL was a party nor violated the DOT rules on AGR, certain reports are cropped up stating that MTNL has to pay Rs 2537.48 crs. However notwithstanding the same MTNL has taken up with DOT that no such due is payable by MTNL and also review the same. However for all the pending assessments in which provisional assessments were made and MTNL represented against the same, the contingent liability of Rs 2865.04 crs. is disclosed in the financial statements as at 31-3-2020.
Note 3 : LF & SUC are not categorized as statutory dues in the financial statements.

i) (a) Any default in the annual filing of the issuer under the Companies Act 2013 or the rules made there under: NIL

j) Name, Designation, address and phone number, email ID of the nodal/compliance officer of the company, if any, for private placement offer process;
Contact details of the Compliance Officer are given elsewhere in this Private Placement Offer Letter.

Name	S R Sayal
Designation/ Dept	Company Secretary
Address	MAHANAGAR TELEPHONE NIGAM LTD Mahanagar Doorsanchar Sadan 9, CGO Complex, Lodhi Road, New Delhi 110003;.
Ph No	011-24317225
Email	mtnlcsco@gmail.com
Website	http://mtnl.in/

2) PARTICULARS OF THE OFFER

a) Date of passing of board resolution;
The present placement of Bonds is being made pursuant to the resolution passed by the Board of Directors of the company at its meeting held on 14.11.2019 and 22.07.2020.

b) Date of passing of resolution in the general meeting, authorizing the offer of securities:
The shareholders in the Extra Ordinary General Meeting has approved raising of funds through issue of Bonds vide resolution passed in its meeting held on 08.01.2020

c) Kinds of securities offered (i.e. whether share or debenture)and class of security;
Government of India Guaranteed, Rated, Unsecured, Redeemable, Listed, Taxable, Non- Convertible Debentures of Face Value of Rs. 10 Lakh each at par with a base issue size of Rs 500 Crores and green shoe option to retain over subscription upto Rs 1,638.60 Crores aggregating to Total Issue size of Rs 2,138.60 Crores on private placement basis.

d) **Price at which the security is being offered including the premium, if any, along with justification of the price;**
Face Value: Rs. 10 lakhs Issue Price: At par
Minimum application: 1 bond and in multiples of 1 bond thereafter

e) **Name and address of the valuer who performed valuation of the security offered**
NA

f) **Amount which the company intends to raise by way of securities**
Base issue size is Rs 500 Crores and
Green shoe option to retain over subscription upto Rs 1,638.60 Crores aggregating to Total Issue size of Rs 2,138.60 crore

g) **Terms of raising of securities: Duration, if applicable, Rate of dividend or rate of interest, mode of payment and repayment;**
Please refer to the term sheet on page number 63 of this Private Placement Offer Letter.

h) **Proposed time schedule for which the offer letter is valid;**
Please refer to the term sheet on page number 65 of this Private Placement Offer Letter.

i) **Purposes and objects of the offer;**
Please refer to the term sheet on page number 64 of this Private Placement Offer Letter.

j) **Contribution being made by the promoters or directors either as part of the offer or separately in furtherance of such objects**
NIL

k) **Principle terms of assets charged as security, if applicable-**
The proposed issue is an unsecured issue.

3) DISCLOSURES WITH REGARD TO INTERST OF DIRECTORS, LITIGATION ETC.

I. **Any financial or other material interest of the directors, promoters or key managerial personnel in the offer and the effect of such interest in so far as it is different from the interest so far other persons.**
Nil

II. **Details of any litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against any promoter of the offeree company during the last three years immediately preceding the year of the circulation of the offer letter and any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action shall be disclosed.**
The Promoter of the Company is President of India hence, it is not possible to give details of litigations, legal actions or directions pending or taken by any Ministry or Department of the Government or a statutory authority against the promoter of the company during the last 3 years.

III. **Remuneration of directors (during the current year and last three financial years);**

Current Year Period (01.04.2020 to 30.09.2020)

SL No.	Employee Name	Designation	Salary	Benefits*	Performance linked incentive**	Total
1.	Shri Sunil Kumar	Director(HR & EB)	16,58,094	3,63,853	0	20,21,947

2.	Shri Milind Vijay Joshi	Director (Finance)	14,85,374	3,19,249	0	19,20,413
3.	Shri Sanjeev Kumar,	Director (Technical)	15,87,867	3,32,546	0	18,04,623
	Total		47,31,335	10,15,648	0	57,46,983

The Government nominee Directors on the MTNL's Board does not draw any remuneration/sitting fee for attending Board/ Committee meetings from the Company. The Independent Directors were paid sitting fee of Rs. 10,000/- per meeting for attending Board /Committee Meetings.

Details of Payment made towards sitting fee to Independent Directors during Current Year Period (01.04.2020 to 30.09.2020) are given below:

Sl no.	**Particulars of Remuneration**	**Name of the Directors**				
	Independent Directors	**Shri Chinmay Basu**	**Shri K.B. Gokulchandran**	**Smt. G Padmaja Reddy**	**Smt. Suneeta Trivedi**	**Amount in Rs**
	• Fee for attending Board and its committee meetings • Commission • Others, please specify	10,000	20,000	20,000	20,000	70,000
	Total	10,000	20,000	20,000	20,000	70,000

2019-20

The remuneration paid to whole time Directors during the year 2019-20 is as under:

(Amt. in Rs.)

SL No.	**Employee Name**	**Designation**	**Salary**	**Benefits***	**Performance linked incentive****	**Total**
1	Shri P. K. Purwar,	CMD [Retd. On 15.07.2019]	9,81,006	2,84,388	0	12,65,394
2	Shri Sunil Kumar	Director(HR & EB)	26,44,707	7,65,112	0	34,09,819
3	Shri Milind Vijay Joshi	Director (Finance)	22,81,363	6,23,751	0	29,05,114
4	Shri Sanjeev Kumar,	Director (Technical)	25,34,443	7,60,665	0	32,95,108
	Total		**84,41,519**	**24,33,916**	**0**	**108,75,435**

The Government nominee Directors on the MTNL's Board does not draw any remuneration/sitting fee for attending Board/ Committee meetings from the Company. The Independent Directors were paid sitting fee of Rs. 10,000/- per meeting for attending Board /Committee Meetings.

Details of Payment made towards sitting fee to Independent Directors during the year 2019-20 are given below:

Sl no.	**Particulars of Remuneration**	**Name of Directors**	**Total Amoun**

	Independent Directors	**Shri Rakesh Nangia** (Ceased to be director on 31.01.2020)	**Shri Ashok Mittal** (Ceased to be director on 31.01.2020)	**Shri Chinmay Basu**	**Shri K.B. Gokulchan- dran**	**Smt. G Padmaja Reddy**	**Smt. Suneeta Trivedi**	**t in Rupees**
	• Fee for attending Board and its committee meetings • Commission • Others, please specify	70,000	70,000	40,000	30,000	60,000	90,000	3,60,000
	Total	70,000	70,000	40,000	30,000	60,000	90,000	3,60,000

2018-19

The Remuneration paid to Whole time Directors during the year 2018-19 is as under:

(Amt. in Rs.)

SL No.	Employee Name	Designation	Salary	Benefits*	Performance linked incentive**	Total
1	Shri P. K. Purwar,	CMD	24,09,625	6,29,767	0	30,39,392
2	Shri Sunil Kumar	Director(HR & EB)	23,97,487	7,08,701	0	31,06,188
3	Shri Milind Vijay Joshi	Director (Finance)	9,10,839	82,638	0	9,93,477
4	Shri Sanjeev Kumar,	Director (Technical)	24,57,018	6,49,894	0	31,06,912
	Total		81,74,969	20,71,000	0	102,45,969

The Government nominee Directors on the MTNL's Board does not draw any remuneration/sitting fee for attending Board/ Committee meetings from the Company. The Independent Directors were paid sitting fee of Rs. 10,000/- per meeting for attending Board /Committee Meetings.

Details of Payment made towards sitting fee to Independent Directors during the year 2018-19 are given below:

(In Rs.)

SI no.	**Particulars of Remuneration**	**Name of Directors**						**Total Amount in Rupees**
	Independent Directors	**Shri Rakesh Nangia**	**Shri Ashok Mittal**	**Shri Chinmay Basu**	**Shri K.B. Gokulchan- dran**	**Smt. G Padmaja Reddy**	**Smt. Suneeta Trivedi**	

	• Fee for attending Board and its committee meetings • Commission • Others, please specify	60,000	80,000	50,000	80,000	50,000	1,30,000	4,50,000
	Total	**60,000**	**80,000**	**50,000**	**80,000**	**50,000**	**1,30,000**	**4,50,000**

2017-18

The Remuneration paid to Whole time Directors during the year 2017-18 is as under:

(Amt. in Rs.)

SL No.	Employee Name	Designation	Salary	Benefits*	Performance linked incentive**	Total
1	Shri P. K. Purwar,	CMD & Director (Finance)	23,35,746	6,19,918	0	29,55,664
2	Shri Sunil Kumar	Director(HR & EB)	22,24,848	6,07,773	0	28,32,621
3	Shri Sanjeev Kumar,	Director (Technical)	20,35,810	6,24,809	0	26,60,619
	Total		65,96,404	18,52,500	0	84,48,904

The Government nominee Directors on the MTNL's Board does not draw any remuneration/sitting fee for attending Board/ Committee meetings from the Company. The Independent Directors were paid sitting fee of Rs. 10,000/- per meeting for attending Board /Committee Meetings.

Details of Payment made towards sitting fee to Independent Directors during the year 2018-19 are given below:

(In Rs.)

Sl no.	Particulars of Remuneration	Name of Directors						Total Amount in Rupees
	Independent Directors	**Shri Rakesh Nangia**	**Shri Ashok Mittal**	**Shri Chinmay Basu**	**Shri K.B. Gokulchan- dran**	**Smt. G Padmaja Reddy**	**Smt. Suneeta Trivedi**	
	• Fee for attending Board and its committee meetings • Commission • Others, please specify	80,000	80,000	30,000	20,000	40,000	30,000	2,80,000
	Total	**80,000**	**80,000**	**30,000**	**20,000**	**40,000**	**30,000**	**2,80,000**

*Benefits Includes Travelling expenses, Contribution to PF & Pension Fund, Expenditure on Medical, Leave encashment, Other Expenses & Post-Retirement Medical Expenses etc.

**Performance Related Pay (PRP) paid to Functional Directors is based on the incentive scheme of the Company as per DPE Guidelines.

IV. Related party transactions entered during the last three financial years immediately preceding the year of circulation of offer letter including with regard to loans made or, guarantees given or securities provided:

a) In current FY 20-21, till date, there is no loan or Guarantee given or securities provided by the MTNL under Section 186 of the Companies Act, 2013.

b) During the Year 2019-20, there was no loan or Guarantee given or securities provided by the MTNL under Section 186 of the Companies Act, 2013.

c) During the year 2018-19, MTNL has executed Deed of Corporate Guarantee on 25/10/2018 for Rs 25.96 crores in favour of Bharat Broadband Network Ltd. (BBNL) for the purpose of participating in BBNL tender for various telecom services by MTNL along with its consortium partners. The Corporate Guarantee was valid till 22/04/2019. The validity of the said Corporate Guarantee was extended till 31/07/2019 only.
During the Year 2018-19, there was no loan or Guarantee given or securities provided by the MTNL under Section 186 of the Companies Act, 2013.

d) During the year 2017-18, there was no loan or Guarantee given or securities provided by the MTNL under Section 186 of the Companies Act, 2013.

V. Summary of reservations or qualifications or adverse remarks of auditors in the last five financial years immediately preceding the year of circulation of offer letter and of their impact on the financial statements and financial position of the company and the corrective steps taken and proposed to be taken by the company for each of the said reservations or qualifications or adverse remark

Annexure to Director's Report (Consolidated)
Auditor's Qualifications and reply: (FY.2019-20)

Sr. No.	**Qualification**	**Management Reply/Corrective Action**
I	The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2020 as well as in the previous year and the current liabilities exceeded the current assets substantially. Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II. However, the Consolidated Ind AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.	As per IND AS-I, paras 25 & 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules, support being given by govt. as promoter as per cabinet approval for various measures for revival of MTNL and prepared the accounts on going concern basis since the revival process has been already been approved by govt. As per approval of govt. 14587 numbers of employees were retired under VRS scheme which reduced staff cost from Rs. 2400 crores to Rs. 600 crores. Similarly others measures in process viz. allotment of 4G spectrum against capital infusion by DOT, monetisation of assets and issuance of sovereign guarantee bonds worth Rs. 6500 crores would be paving the way for MTNL to become profitable considering all these, there is no reason to not prepare the accounts on going concern basis.
II	Bharat Sanchar Nigam Limited (BSNL): a) Bharat Sanchar Nigam Limited (BSNL): The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,504.10 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated Ind-AS financial	a) Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims pertaining to 2014-15 in case of AFNET for 2019-20 also have been settled by intervention at the highest level of DoT in the year under report. As such the issue is under procedure of settlement since both being PSUs under DOT, there would be settlement at the earliest and the process is also closely being monitored. In view of above, no impact is anticipated at this

	statements of the Company. b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.	stage and, if at all, it would not be ascertainable at this stage. b) The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit& loss account. Besides the issues are under advise from GST consultants to request govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the tax payments are made to service tax department and in those cases where bills are to be paid by BSNL the issues are deliberated with BSNL since majority of cases related to BSNL. The procedure of exchanging off and matching amounts between MTNL & BSNL is evolved to ensure that both BSNL & MTNL would get GST benefit. As regards service tax cases of post POTR also it is being contemplated to settle the amounts with service tax so that CENVAT gets concluded off since service tax regime is over.
III	The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 417.48 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated Ind-AS financial statements of the Company.	Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However there are recoverable amounts viz, GPF RS 23.15 Crs, claims on account of old raises bonds Rs. 431.56 Crs and other miscellaneous claims to the tune of RS. 214 crs., which are clearly identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation. The issue of settlement of earlier period bonds related claims of Rs.431 crores is also already in progress in D.O.T through a committee. In view of above there will be no impact and claims are being pursued at DoT level and are recoverable.

IV	Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.
V	The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the Consolidated Ind-AS financial statements for year is not ascertained and quantified.	As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs. As the issue is under deliberation, overheads are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured. In view of above the impact is not ascertainable.
VI	Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 “Impairment of Assets” prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2019 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. In view of above, according to management there may not be any impact on this count.

	surplus and also the carrying value of the cash generating units.	
VII	The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Consolidated Ind-AS financial statements are not ascertainable and quantifiable.	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month’s outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed from them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are specific disputes brought to compass notice as to the quantum of payables or receivables from excess as provided in books or disclosed in contingent liability. There is no impact other than disclosed in financial statements.
VIII	Unlinked credit of Rs. 75.69 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated.	The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time and amount will be booked to correct head of account. Since this is purely accounting classification matter, no impact will be there.
IX	Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years. In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not except that there could be any impact and thereby the same is also not ascertainable at

	.impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.	this stage.
X	Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated Ind-AS financial statements cannot be ascertained and quantified.	The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not ascertainable.
XI	Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis. As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage and subsequently the same is withdrawn. Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability till last year although no further demand is there from DOT till date.	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included the demand raised earlier on MTNL. As regards CDMA MTNL has surrendered spectrum allotted on trial basis in respect of GSM and does not require to pay for CDMA spectrum as the allotment was within allotted quantum and D.O.T. was apprised of the same and the demand of Rs.107.44 crores of CDMA was withdrawn on 28.10.2013. For GSM no notice or demand was raised for 2G(GSM) spectrum till date after initial demand dated 8/1/2013. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators TDSAT directed vide judgment dated 4/7/2019 to review the OTSC ,while setting aside the demands raised by DOT directed govt review the demand for spectrum allotted after 1/7/2008 and that too w.e.f 1/1/2013 in case the spectrum beyond 6.2 Mhz was allotted before 1/1/2013. Since MTNL spectrum was allotted much before 1/7/2018 as per TDSAT judgement dated 4/7/2019 , the demand if any cannot be more than 415 crores . As no demand is raised by DOT after 4/7/2019 the contingent liability of Rs. 455 crores is disclosed although same is not expected to arise. However the contingent

	However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum alloted beyond 6.2 Mhz , directed Govt. to review the demand for spectrum alloted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was alloted before 1-1-2013. As explained , as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand , if any, can not be more than Rs 455 crs the same is disclosed in contingent liability. In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial results of the Company.	liability of Rs.455.15 crores is estimated on the basis TDSAT judgement in this regard given in case filed by private operators.DOT will finalises the case on disposal of this litigation action for MTNL will also be made clear by DOT on the same line. As such only contingent liability on the basis of the legal verdict available is on estimation basis is made. Hence this issue gets resolved once final decision of govt. is over. In view of above there is no impact expected in this regard.
XII	The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions in earlier years, on which Goods and Service Tax (GST) has not been paid. The actual impact of the same on the Consolidated Ind-AS financial statements for year is not ascertained and quantified.	The imposition of GST on LD charges was discussed long ago at the time of inception of GST and E&Y opined that no GST is leviable on LD charges which subsequently after some time was changed by E&Y and advised that it is better to obtain credit notes for such delayed supplies or returned goods. The procurement policy is also modified accordingly. In view of the change of procurement policy w.r.t supplies IM 53 was issued. The units have been trying to get credit notes and once credit notes come MTNL can take necessary action. The time for filing such credit notes for vendors is upto 30thSept 2020. In the meanwhile MTNL units are told to not to take ITC on such LD amounts and payments made may be treated as partial till the credit notes are received. If no credit note is received MTNL will issue invoice/ debit note to and pay GST on it and also avail the input tax credit. In view of this, the impact if any, is not ascertainable at this stage and once the return is finalised, the liability if any will be accounted for in financial year 2020-21.

Annexure to Director's Report (Consolidated)
Auditor's Qualifications and reply: (FY.2018-19)

Sr. No.	Auditor's Report	Management Reply/Corrective Action
i	The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially. Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014- Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017– SU-II. However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)	As per IND AS-I, paras 25 & 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules expected support from govt. as promoter and prepared the accounts on going concern basis since the revival process has been initiated by govt/DoT as per DPE guidelines.
ii	**Bharat Sanchar Nigam Limited (BSNL):** The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of ₹ 3,352.67 Crores out of which ₹ 2,505.46 Crores is subject to reconciliation and confirmation. In view of non- reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements). The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax	Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books up to the year 2017-18. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled by intervention at the highest level of DoT in the year under report and till now approximately ₹ 1100 crs of claims were settled & paid by BSNL and ₹ 300 crs is paid by MTNL. As such the issue is under procedure of settlement since both being PSUs under DOT, there would be settlement at the earliest. In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage. b) The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no

	(GST) where the aforesaid CENVAT credit amounting to ₹ 144.66 Crores has not been carried forward or ineligible credits amounting to ₹ 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.	impact on profit& loss account. Besides the issues are under advise from GST consultants to proceed with a request to govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the payments are made to deliberated with BSNL since majority of cases related to BSNL. As GST regime issues are under evolving process, the impact, if any cannot be ascertained at this stage.
iii	**The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹669.34 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).**	Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However the net recoverable amount of ₹ 669.34 crores includes the GPF (RS 23.15 Crs), Excess pension paid from 1-10-2000 (₹143.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (₹ 4533.97 Crs) totalling to ₹5827.94/- crores identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of ₹ 636.21 crs shown by MTNL in the books for the year 2017-18 on the pattern of GPF, Bonds etc which already stand confirmed. The issue of confirmation and settlement of Earlier period bonds related claims of ₹431 crores is also already in progress in D.O.T. The resultant balance amount of ₹205.21 crs is also due to MTNL on account of various other petty claims of period pertaining to years 1986- 2000. In view of above there will be no impact and claims are being pursued at DoT level.
vi	**Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in**	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As

	understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 79 to the standalone Ind-AS financial statements).	such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG (LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.
v	**The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).**	As regards the allocation of over heads in line with Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable cost. As the issue is under deliberation, overhead are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured. In view of above the impact is not ascertainable.
vi	**Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard** **– 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).**	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2019 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. In view of above the impact is not assessable.

vii	**The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).**	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter there is no impact otherwise and wherever required necessary adjustments are required the same are also being made.
viii	**(a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.** **(b) (b) Unlinked credit of ₹ 51.04 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).**	(a) The reconciliation is almost completed. Necessary adjustments entries, if any, shall be passed after finalisation it. In view of above the impact is not ascertainable. (b) The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time.

Ix	**Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.**	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years. In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not except that there could be any impact and thereby the same is not ascertainable impact at this stage.
x	**Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS financial statements cannot be ascertained and quantified.**	The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not ascertainable.
xi	**Department of Telecommunication (DOT) had raised a demand of ₹ 3313.15 Crores in 2012- 13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.** **As explained the demand for spectrum usage for CDMA has been revised by ₹ 107.44 Crores on account of rectification of actual usage.** **Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other**	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it is also surrendered. D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL’s case is also to be decided by D.O.T. on the basis of

	private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹ 3205.71 Crores has been disclosed as contingent liability. **In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 58 to the standalone Ind-AS financial statements).**	outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of ₹ 3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.
xii	**In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on “Revenue”. In the absence of any working/ detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).**	The contractual terms & conditions are undergoing change and were under deliberations with Larsen & Turbro (L&T) and an addendum to the agreement is to be signed shortly between MTNL & L&T which is in the final stage further action or any working of profit or loss can be ascertainable only after the addendum is got entered into. As such there is no scope to recognise profit& loss at this point of time.

Annexure to Director's Report (Consolidated)

Auditor's Qualifications and reply:(FY. 2017-18)

Sr. No.	Auditor's Report	Management Reply/Corrective Action
1	The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 as well as in the previous year and the current liabilities exceeded the current assets substantially. Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II. However, the consolidated Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no.81 to the consolidated Ind- AS financial statements)	The accounts are prepared on going concern basis for the period ending 31.03.2018 in view of the fact that the declaration of company as incipient sick will lead to implementation plan for revival being government company. As per IND AS-I, paras 25 & 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules, expected support from govt. as promoter and prepared the accounts on going concern basis since the revival process has been initiated by govt/DoT as per DPE guidelines. Accordingly financial statements have been prepared on going concern basis.
2	**Bharat Sanchar Nigam Limited (BSNL):** (a)The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of ₹ 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the consolidated Ind-AS financial statements)	Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books up to the year 2017-18. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled by intervention at the highest level of DoT in the year under report and till now approximately Rs 1100 crs of claims were settled & paid by BSNL and Rs 300 crs is paid by MTNL. As such the issue is under settlement and both being PSUs under DOT, there would be settlement at the earliest. Further,the process of settlement also continues in the financial year i.e. 2018-19. In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage.

	(b)Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements.	**b)** The case of allowing discounts to customers by BSNL or MTNL is under review and DOT committee has been repeatedly insisting on settlement of dues with mutually acceptable manner and in accordance with synergy agreement. However the issue of leased circuits, billing etc are still under review and it is expected to conclude the process for in the current financial year.
	(c) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to ₹ 115.61 Crores has not been carried forward or ineligible credits amounting to ₹ 50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.	**c)** The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit& loss account. Besides the issues are under advise from GST consultants to proceed with a request to govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the payments are made to be deliberated with BSNL since majority of cases related to BSNL. As GST regime issues are under evolving process, the impact, if any cannot be ascertained at this stage.
	(d)The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the consolidated Ind-AS financial	**d)** Noted, As mentioned the income and expenditure is recognised on accrual basis. No impact is envisaged on profit & loss account.

	statements cannot be ascertained and quantified	
3	**The Company has certain balances receivables from and payables to Department of Telecommunication (DOT).The net amount recoverable of ₹ 6,464.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the consolidated Ind-AS financial statements).**	Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However the recoverable amount of Rs 6,464.15 crores includes the GPF (RS 1150.97 Crs), Excess pension paid from 1-10 2000 (₹143.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to ₹5827.94/- crores identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of ₹ 636.21 crs shown by MTNL in the books for the year 2017-18 on the pattern of GPF, Bonds etc which already stand confirmed. The issue of confirmation and settlement of Earlier period bonds related claims of ₹431 crores is also already in progress in D.O.T. The resultant balance amount of ₹205.21 crs is also due to MTNL on account of various other petty claims of period pertaining to years 1986- 2000. In view of above there will be no impact and claims are being pursued at DoT level.
4	**Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements.The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 63 to the consolidated Ind-AS financial statements).**	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated

		process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.
5	**The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the consolidated Ind-AS financial statements).**	As regards the allocation of over heads in line with Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs.As the issue is under deliberation, overhead are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured. In view of above the impact is not ascertainable.
6	**Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 75 to the consolidated Ind-AS financial statements).**	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2018 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. In view of above the impact is not assessable.

7	**The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the consolidated Ind-AS financial statements).**	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter there is no impact otherwise and wherever required necessary adjustments are required the same are also being made.
8	**Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.**	The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic & GSM has also been done as per the policy only. The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts.They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses with the contracts between the operators. In view of above the impact is not assessable.

9	**(a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated Ind-AS financial statements cannot be ascertained and quantified at present.** **(b) Unlinked credit of ₹ 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 69 and 80 to the consolidated Ind-AS financial statements).**	**(a)** The reconciliation is almost completed. Necessary adjustments entries, if any, shall be passed after finalisation it. In view of above the impact is not ascertainable. **(b)** The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time.
10	**Property, Plant and Equipment are generally capitalized on the basis of completion cer tificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.**	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years. In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not except that there could be any impact and thereby the same is not ascertainable impact at this stage.

11	**Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequenti Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the consolidated Ind-AS financial statements cannot be ascertained and quantified**	The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not ascertainable.
12	**Department of Telecommunication (DOT) had raised a demand of ₹ 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.** **As explained the demand for spectrum usage for CDMA has been revised by** **₹ 107.44 Crores on account of rectification of actual usage.** **Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹ 3205.71 Crores has been disclosed as contingent liability. In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the**	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it is also surrendered. D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non

	consolidated Ind-AS financial statements of the Company. (Also refer note no. 62 to the consolidated Ind-AS financial statements).	finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of ₹3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.
13	**In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/ detail, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 82 to the consolidated Ind-AS financial statements).**	The contractual terms & conditions are undergoing change and were under deliberations with Larsen & Turbro (L&T) and an addendum to the agreement is to be signed shortly between MTNL & L&T which is in the final stage further action or any working of profit or loss can be ascertainable only after the addendum is got entered into. As such there is no scope to recognise profit& loss at this point of time.

14	**During the year, the Company has booked an income amounting to Rs 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 83 to the consolidated Ind- AS financial statements).**	The action in respect of Mumbai unit is in progress and in view of huge data with reference to the retirees spanning from the period w.e.f 1.10.2000 to 31.3.2014, the process is expected to be got completed in the current financial year and as the impact is not ascertainable unless all PPO,s are reviewed, no adjustment is done in the last quarter of current financial year. The same shall be completed in current financial year 2018-19 and appropriate action will be taken accordingly.

Annexure to Director's Report(Consol)
Auditor's Qualifications and reply: (FY.2016-17)

Sr. No.	Auditor's Report	Management Reply/Corrective Action
1	The Holding Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3729.78 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated IND AS financial statements.	Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation upto the year 2016-17. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled and BSNL paid around Rs. 688.06 crores till date and Rs. 351.07 crs paid by MTNL. As such the issue is under the process of settlement. Further process of settlement also continues in financial year 2017-18 In view of above the impact if any would be not assessable at this stage.
2	The Holding Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 7263.61 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated IND AS financial statements.	Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the receivable amounts of Rs 7263.61 crores includes the GPF (RS 1775.54 Crs), Excess pension paid from 1-10 2000 (Rs.295.12 Crs) and Bonds issued in lieu of refund of One Time upfront charges of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.6604.63 crores which are identified and acknowledged for settlement. In addition to the requests made to DOT for reconciliation and confirmation of balance claims of Rs. 658.98 crs shown by MTNL in the books for the year 2016-17 which includes claim on account of bonds to the tune of Rs.431 crores which is in progress in D.O.T. In view of above there will be almost no impact and the same if any is not assessable at this point of time.
3	In respect of Holding Company, up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Holding Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition, it is to apprise that DDG(LF)DOT has already initiared process of reconciliation.

	financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.	
4	The Holding Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" specified under Section 133 of the Act, the same results into overstatement of Capital Work-in-Progress/Property, Plant and Equipment and understatement of loss. The actual impact of the same on the Consolidated IND AS financial statements for year is not ascertained and quantified	As regards the allocation of over heads in line with Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only direct allocable costs, wherever it is possible and to capture the same. As the issue is still under deliberation , overheads are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured .In view of above the impact is not assessable.
5	In respect of Holding Company, except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" specified under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Holding Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2017 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. As such testing is being done at the end of each year and there is no impairment according to the company's understanding. In view of above the impact is not assessable.
6	In respect of Holding Company, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Consolidated IND AS financial statements is not ascertainable and quantifiable.	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in

		which case the same is either referred for resolution through arbitration or courts and in case of NLD and ILD operators theirs dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them as it is a bilateral process with acceptance for +/(-) 2% correction factors. Since the payables and receivables are settled as stated above and also the same is a continuous process, there is no impact otherwise and wherever required necessary adjustments are also being made. Although no specific confirmation is taken, all the bills issued by MTNL show outstanding including details of such outstanding old bills to subscribers as a part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate as well as normal debtors/receivables. As regards payables, the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arise as it is as per contractual obligations. In view of above, in general there is no impact and assessment of any impact also not ascertainable.
7	In respect of Holding Company, Dues from the operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the consolidated IND AS financial statements cannot be ascertained and quantified.	The dues of other operators are not provided like other debts as they are based on the interconnect regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic &GSM has been done as per the policy. Since the provision in respect of dues of operators is on a different footing in view of bilateral agreements they cannot be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses with the contracts between operators. In view of above the impact is not assessable.
8	(a) In respect of Holding Company (Delhi Unit), reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on the Consolidated IND AS financial statements cannot be ascertained and quantified at present. **(b)** In respect of Holding Company, Unlinked Credit of Rs. 36.91 Crores on account of receipts from subscribers against billing by the Holding Company which could not be	**(a)**The reconciliation is almost completed and one area is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process. In view of above the impact is not assessable. **(b)**The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides

	matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated	it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides, the reconciliation is under process and the same will be reconciled in due course of time.
9	In respect of Holding Company, in the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Holding Company (Delhi Unit). Pending such reconciliation, the impact of the same on the Consolidated IND AS financial statements cannot be ascertained and quantified.	Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date and there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit where as at Mumbai unit the same is already done. As such there is no such possibility for quantification and on materiality aspect also there is no issue. In view of above the impact is not assessable.
10	In respect of Holding Company, Property, Plant and Equipment are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the consolidated statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalised in the Consolidated IND AS financial statements cannot be ascertained.	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been reduced to by Rs 225.27 crs as at 31-3-17 despite addition of Rs 362.33 crs in current year to the opening CWIP of Rs 102.85 crs. The net WIP as at 31.03.2017 excluding CWIP of inventory is Rs. 239.91 cr. In view of above and the ongoing process of capitalisation of old to oldest WIP management do not expect that there would be any impact which is also thereby not assessable at this stage.

11	In respect of Holding Company, Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated IND AS financial statements cannot be ascertained and quantified.	The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed or done. As such there is no impact expected due to the classification. In view of above the impact is not assessable.
12	In respect of Holding Company, Department of Telecommunication (DOT) had raised a demand of Rs. 3,313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. Department of telecom has been apprised of the same and the matter is still under correspondence. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operators and as when DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is also demanding thereafter. Hence the issue gets resolved on final decisions of govt. In view of above the impact is not assessable.

Annexure to Director's Report(Consol)
Auditor's Qualifications and reply :(FY. 2016-17)

Sr. No.	Qualification	Management Reply/Corrective Action
1	The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3098.39 crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company.	Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. In addition the matter has been taken up with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books for the year 2015-16. The claims pertaining to 2013-14 & some of the claims of 2014-15 have been mutually settled already and the process of settlement under DOT guidance has commenced. As such the issue of settlement is under progress. In view of above the impact is not assessable.
2	The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 8059.67 crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company	Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the recoverable amount of Rs 8109.09 crores includes the GPF (RS 1946.56 Crs), Excess pension paid from 1-10 2000 (Rs1179.36 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.7659.89 crores identified and acknowledged for settlement. In addition to the reply of management requests made to DOT, for reconciliation and confirmation of balance claims also shown by MTNL in the books for the year 2015-16. In view of above the impact is not assessable.

3	Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of Rs. 140.36 crores instead of actual liability resulting in under statement of current liabilities and under statement of loss to that extent.	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed with BSNL. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon.
4	The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Accounting Standard - 10 "Accounting for Fixed Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, the same results into overstatement of capital work in progress/ fixed assets and under statement of loss. The actual impact of the same on the financial statements for year is not ascertained and quantified.	As regards the allocation of over heads in line with AS-10, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However MTNL has already appointed a consultant to get the old policy reviewed and on receipt of his final report necessary further action will be taken to bring it more aligned to the company act 2013 related rules and also AS-10. As regards the allocation of overhead MTNL has already appointed an M/s Rawla & Co. Chartered Accountant as consultant for advising the more scientific policy on allocation of overheads which is expected to be completed in the current financial year . In view of above the impact is not assessable.
5	Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to AS-28 "Impairment of Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2016 there is no impairment loss and there are also no specific indicators of such loss. Occurrences of losses is although an indicator for impairment testing in case of assets, but in the present case the lossess is on account of legacy issue viz. legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. The testing is being done at the end of each year and there is no impairment according to the company's understanding. In view of above the impact is not assessable.

	of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.	
6	Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the financial statements is not ascertainable and quantifiable	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is not needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process, there is no impact otherwise and wherever necessary adjustments are also made. Although no specific confirmation is taken all the bills issued by company show outstanding including details of such outstanding old bills to subscriber as part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate debtors/receivables. As regards payables the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arises as it is as per contractual obligations. In view of above the impact is not assessable.
7	Dues from the operators are not taken into account for making provision for doubtful debts. Also in respect of Delhi Unit, no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified.	The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic/GSM/CDMA has been done as per the policy. The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses. In view of above the impact is not assessable..
8	(a) In Delhi Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with	(a)The reconciliation is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under

	financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on financial statements cannot be ascertained and quantified at present **(b)** Unlinked credit of Rs. 13.79 crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated.	process and is spanning over past years, necessary action is under process. In view of above the impact is not assessable. **(b)**The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time.
9	In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified.	Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time at Delhi unit. While Mumbai unit has already completed it. As such there is no such possibility for quantification and on materiality aspect also there is no issue. In view of above the impact is not assessable.
10	Fixed assets are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been reduced to Rs.102.02 crs as at 31-3-16 compared to Rs. 133.48 crs as at 31-3-15. In view of above the impact is not assessable.

	of depreciation and amount of fixed assets capitalised in the balance sheet cannot be ascertained	
11	Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the financial statements cannot be ascertained and quantified.	The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not assessable.
12	Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis. As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 crores on account of rectification of actual usage. Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallisation of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 crores has been disclosed	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA.D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operators and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of

	as contingent liability. In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the financial statements of the Company.	govt. In view of above the impact is not assessable.
13	Other current assets include claim of Income tax refund for F.Y. 1999-2000 of Rs. 101.54 crores arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department. This includes tax amount of Rs. 60.30 crores and interest accrued thereon amounting to Rs. 41.24 crores. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.	Instructions are already issued for reconciliation and also for audit review. Cases is taken up with tax department and decision is expected soon and on the basis of decision only any action can be taken In view of above the impact is not assessable.
14	The balances appearing in the advance tax/income tax receivable / tax deducted at source / interest on income tax and provisions for taxes are subject to reconciliation with the tax records. Pending reconciliations we are not in a position to comment on the correctness of the same and consequential impact of the same on the financial statements of the Company	The reconciliation of liability spread over from 2006-07 to 2012-13 is under process and is expected to be completed at the earliest and on completion of reconciliation the liability not required to be maintained, if any, will be adjusted . In view of above the impact is not assessable.
15	In Delhi Unit there is no laid down process / system to reconcile the service tax liability with the total revenue or with the debtors or under reverse charge mechanism. In addition there is no reconciliation process with respect to service tax payment or of outstanding service tax recoverable. In the absence of any such working / reconciliation, we are not in a position to comment on the correctness of the service tax liability / service tax recoverable and the consequent impact thereof	Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.

	on the financial statements of the Company.	
16	Pending identification and details of the assets lost/destroyed by fire/theft in earlier years against which insurance claims amounting to Rs. 24.52 crores have been lodged in Mumbai Unit, the same continue to appear in the schedule of Fixed Assets under the head Gross Block, Accumulated Depreciation and Net Block. In the absence of details of such assets, we are not in a position to comment on the impact there of on the financial statements of the Company	Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.
17	In respect of fixed assets of Delhi Unit and Corporate Office, depreciation charged is not fully in line with the requirements of Schedule II to the Companies Act, 2013. In the absence of required details , we are not in a position to comment on impact there of on the financial statements of the Company.	Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.

VI. Details of any inquiry, inspections or investigations initiated or conducted under the Companies Act or any previous company law in the last three years immediately proceeding the year of circulation of offer letter in the case of company and all of its subsidiaries. Also if there were any prosecutions filed (whether pending or not) fines imposed, compounding of offences in the last three years immediately preceding the year of the offer letter and if so, section-wise details thereof for the company and all of its subsidiaries:

NIL

VII. Details of acts of material frauds committed against the company in the last three years, if any, and if so, the action taken by the company:

NIL

1) FINANCIAL POSITION OF THE COMPANY

a) The capital structure of the company in the following manner in a tabular form-

i) (a) the authorised, issued, subscribed and paid up capital (number of securities, description and aggregate nominal value);

Particulars	Description	Number of Securities	Nominal Value Per share	Aggregate Nominal Value (In Rs.)

Authorized Capital	Equity share	350,00,00,000	10	3,500,00,00,000
	Preference Share	65,00,00,000	100	6,500,00,00,000
Issued, Subscribed and Paid-up share	Equity Share	63,00,00,000	10	630,00,00,000

(b) **Size of the present offer-** Government of India Guaranteed, Rated, Unsecured, Redeemable, Listed, Taxable, Non- Convertible Debentures of Face Value of Rs. 10 Lakh each at par with a base issue size of Rs 500 Crores and green shoe option to retain oversubscription upto Rs 1,638.60 Crores aggregating to Total Issue size of Rs 2,138.60 Crores on private placement basis.

(c) Paid up capital:

A) After the offer**:** Since the said offer pertains to Non-Convertible Taxable Bonds, there will be no change in the paid up capital.

B) After conversion of convertible instruments (if applicable)**: NA**

C) Share premium account (before and after the offer): **NA**

ii) The details of the existing share capital of the issuer company in a tabular form, indicating therein with regard to each allotment, the date of allotment, the number of shares allotted, the face value of the shares allotted, the price and the form of consideration

Provided that the issuer company shall also disclose the number and price at which each of the allotments were made in the last one year preceding the date of the offer letter separately indicating the allotments made for considerations other than cash and the details of the consideration in each case;

Please refer to page no 25 of this private placement offer document

b) Profits of the company, before and after making provision for tax, for the three financial years immediately preceding the date of circulation of offer letter

Amount in Rs Crs

Profits before and after making provision for tax	**Details**	**2019-20**	**2018-19**	**2017-18**
	PBT	(3,695.68)	(3,390.20)	(2,973.45)
	PAT (Total comprehensive income)	(3,695.68)	(3,390.20)	(2,973.45)

c) Dividends declared by the company in respect of the said three financial years; interest coverage ratio for last three years (Cash profit after tax plus interest paid/interest paid)

Year	**Dividend**	**Interest Coverage Ratio (Cash Profit/ interest Cost)**
F.Y. 2019-20	0	(0.90)
F.Y 2018-19	0	(0.99)
F.Y 2017-18	0	(0.97)

d) A summary of the financial position of the company as in the three audited balance sheets immediately preceding the date of circulation of offer letter;

Please refer to the page number 36 (consolidated) & 40 (standalone) of this Private Placement Offer Letter.

e) Audited Cash Flow Statement for the three years immediately preceding the date of circulation of offer letter;

Please refer to the page number 38 (consolidated) and 42 (standalone) of this Private Placement Offer Letter.

f) Any change in accounting policies during the current year unaudited and last three audited years and their effect on the profits and the reserves of the company

Following changes have been done to the Accounting policies over the period covered by previous 3 Financial Years and the current Financial Year

1. Effective April 1, 2019, Indian Accounting standard 116 "Leases" (Ind AS 116) has been adopted using the modified retrospective approach and accordingly the comparative for the earlier periods presented were not restated.
2. Effective April 1, 2018, Indian Accounting Standard 115 "Revenue from Contracts with Customers" has been adopted using the cumulative effect method. Comparative information for the previous years is not restated, i.e. the comparative information continues to be reported under Ind AS 18.
3. Effective April 1, 2018, Company had modified the accounting policy in respect of Fixed Assets to include major structural repair of building as Separate Component of building with useful life of 7 years.
4. Effective April 1, 2018, the Company had change the threshold limit from 0.5% to 1.0 % of Turnover in respect of prior period item disclosure.
5. Effective April 1, 2017, the Company had adopted the threshold limit of 0.5 % of Turnover in respect of prior period item disclosure.
6. Effective April 1, 2017, the company had changed the policy for creation of provision from 50 % on debtors considered past due (more than 1 year upto 3 years) to 0 %.

DECLARATION

Declaration by the Issuer

The issuer undertakes that this Disclosure document contains full disclosures in conformity with FORM PAS-4 prescribed under Section 42 and Rule(I) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide Circular No. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended by Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide Circular No. LAD-NRO/GN/2012-13/19/5392 Dated October 12, 2012 and CIR/IMD/DF/18/2013 Dated October 29, 2013) and the Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide Circular No. LAD-NRO/GN/2013-14/43/207 Dated January 31, 2014 and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2015 issued vide Circular No. LAD-NRO/GN/2014-15/25/539 dated March 24, 2015 and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2016 issued vide Circular No. SEBI/ LAD-NRO/GN/2016-17/004 dated 25 may 2016 and SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, issued vide Circular No. SEBI/LAD-NRO/GN/2015-16/013 dated September 02 2015.
In relation to the Issuer, it is hereby declared that:

(1) The Company has complied with the provisions of the Companies Act, 2013 and the rules made there under.
(2) It is to be distinctly understood that compliance with the Companies Act, 2013 and the rules does not imply that payment of dividend or repayment of redemption amount, is guaranteed by the Government of India.
(3) The Company undertakes that the monies received under the issue shall be utilized only for the purposes and 'Object of the Issue' indicated in the Disclosure document.

The Issuer accepts no responsibility for the statements made otherwise than in the Disclosure document or in any other material issued by or at the instance of the issuer and that any one relying on such information from any other source would be doing so at his own risk.
The Board of Directors of the company vide resolution dated 14.11.2019 and 22.07.2020 authorized CMD MTNL to carry-out all acts and things to give effect to this resolution for issuance of these NCDs.
The undersigned has been authorized by the aforementioned resolutions to sign this Disclosure document and declare that all the requirements of the Companies Act, 2013, Securities Exchange Board of India (Issue and Listing of Debt Securities), Regulation, 2012 and circulars issued there under in respect of the subject matter of this form and matters incidental thereto have been complied with.

Whatever is stated in this Disclosure document and in the attachments thereto is true and correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the Promoter subscribing to the Memorandum of Associations and Articles of Association of the Company.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.
For Board of Directors of MTNL

S. R. SAYAL
Company Secretary
M T N L. Corporate Office
Mahanagar Doorsanchar Sadan
9, C.G.O. Complex, Lodhi Road, New Delhi-3

S R SAYAL
Date : 18th December 2020
Place: New Delhi

ANNEXURE(S)

i. IN PRINCIPLE APPROVAL – ANNEXURE I
ii. AUDITED FINANCIALS FOR LAST 3 YEARS CONSOLIDATED – ANNEXURE II (A)
iii. AUDITED FINANCIALS FOR LAST 3 YEARS STANDALONE – ANNEXURE II (B)
iv. UNAUDITED FINANCIALS FOR SEPTEMBER 30, 2020 CONSOLIDATED – ANNEXURE II (C)
v. UNAUDITED FINANCIALS FOR SEPTEMBER 30, 2020 STANDALONE – ANNEXURE II (D)
vi. AUDIT REPORT FOR LAST 3 YEARS CONSOLIDATED – ANNEXURE III (A)
vii. AUDIT REPORT FOR LAST 3 YEARS STANDALONE – ANNEXURE III (B)
viii. AUDITOR'S REVIEW REPORT FOR SEPTEMBER 30, 2020 CONSOLIDATED – ANNEXURE III (C)
ix. AUDITOR'S REVIEW REPORT FOR SEPTEMBER 30, 2020 STANDALONE – ANNEXURE III (D)
x. BOARD RESOLUTIONS – ANNEXURE IV
xi. SHARE HOLDERS RESOLUTIONS – ANNEXURE V
xii. RATING RATIONALE – ANNEXURE VI
xiii. DEBENTURE TRUSTEE CONSENT– ANNEXURE VII
xiv. GUARANTEE LETTER AND PRESIDENTIAL APPROVAL – ANNEXURE VIII
xv. REGISTRAR AND TRANSFER AGENT CONSENT – ANNEXURE IX
xvi. TRIPARTITE AGREEMENT – ANNEXURE X
xvii. CONTINGENT LIABILITY – ANNEXURE XI

ANNEXURE - I IN PRINCIPLE APPROVAL FROM BSE

BSE Limited Registered Office: Floor 25, P J Towers, Dalal Street, Mumbai – 400 001, India
T : +91 22 2272 8045 / 8055 F : +91 22 2272 3457 www.bseindia.com
Corporate Identity Number: L67120MH2005PLC155188

DCS/COMP/CS/IP-PPDI/544/20-21

December 11, 2020

The Company Secretary
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sadan,
5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003

Dear Sir,

Re: Private Placement of Government of India Guaranteed, Rated, Unsecured, Listed, Redeemable, Non-Convertible, Taxable bonds in the nature of Debentures of the face value of Rs. 10 Lakh each for cash at par for Rs. 500 Crores ("Base Issue") with option to retain oversubscription upto Rs. 1, 638.60 Crores an amount aggregating to Rs Crores 2,138.60 ("The Issuer")

We acknowledge receipt of your application on the online portal on December 09, 2020 seeking In-principle approval for issue of captioned security. In this regard, the Exchange is pleased to grant in-principle approval for listing subject to fulfilling the following conditions:

1. Filing of listing application.

2. Payment of fees as may be prescribed from time to time.

3. Compliance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended 2012, and submission of Disclosures and Documents as per Regulations 21, in the format specified in Schedule I of the said Regulations and also Compliance with provisions of Companies Act 2013.

4. Receipt of Statutory & other approvals & compliance of guidelines issued by the statutory authorities including SEBI, RBI, DCA etc. as may be applicable.

5. Compliance with change in the guidelines, regulations directions of the Exchange or any statutory authorities, documentary requirements from time to time

6. Compliance with below mentioned circular dated June 10, 2020 issued by BSE before opening of the issue to the investors:
https://www.bseindia.com/markets/MarketInfo/DispNewNoticesCirculars.aspx?page=20200610-31

This In-Principle Approval is valid for a period of 1 year from the date of issue of this letter. The Exchange reserves its right to withdraw its in-principle approval at any later stage if the information submitted to the Exchange is found to be incomplete / incorrect/misleading/false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, Guidelines/Regulations issued by the statutory authorities etc. Further, it is subject to payment of all applicable charges levied by the Exchange for usage of any system, software or similar such facilities provided by BSE which the Company shall avail to process the application of securities for which approval is given vide this letter.

Yours faithfully,
For BSE Limited

Sd/-
Rupal Khandelwal
Senior Manager

Sd/-
Chaitali Shah
Asst. Manager

ANNEXURE - II (A)

AUDITED FINANCIALS FOR LAST 3 YEARS CONSOLIDATED

Mahanagar Telephone Nigam Limited
Consolidated Balance Sheet as at 31 March 2020

	Notes	31 March 2020 (` in crores)	31 March 2019 (` in crores)
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,579.11	4,329.56
Capital work-in-progress	5	328.08	320.04
Right-of-use assets	6	503.66	-
Investment property	7	39.80	34.96
Intangible assets	8	2,766.21	3,101.90
Investments accounted for using the equity method	9	3.51	3.73
Financial assets			
Loans	10	202.67	192.34
Other financial assets	11	0.63	1.74
Deferred tax assets (net)	12	0.00	0.00
Income tax assets (net)	13	707.36	724.43
Other non-current assets	14	23.85	230.31
Total non-current assets		**8,154.88**	**8,939.01**
Current assets			
Inventories	15	19.32	24.98
Financial assets			
Trade receivables	16	628.96	611.48
Cash and cash equivalents	17	196.60	119.58
Other bank balances	18	13.02	20.42
Loans	19	3,545.35	3,390.02
Other financial assets	20	3,492.91	900.04
Current tax assets (net)	21	0.29	0.33
Other current assets	22	636.68	698.36
Total current assets		**8,533.13**	**5,765.21**
Assets held for sale	23	0.05	0.29
Total assets		**16,688.06**	**14,704.51**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	24	630.00	630.00
Other equity	25	(14,212.10)	(10,357.83)
Total equity		**(13,582.10)**	**(9,727.83)**
Non-current liabilities			
Financial liabilities			
Borrowings	26	12,554.15	11,431.59
Lease liabilities	27	221.74	40.57
Other financial liabilities	28	199.97	323.81
Long-term provisions	29	240.12	911.72
Deferred tax liabilities (net)	30	6.75	6.34
Other non-current liabilities	31	120.84	146.32
Total non-current liabilities		**13,343.57**	**12,860.35**
Current liabilities			
Financial liabilities			
Borrowings	32	9,296.42	7,620.35
Lease liabilities	33	104.04	4.65
Trade payables	34		
(a) Total outstanding dues of micro enterprises and small enterprises		47.13	5.35
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		748.88	528.09
Other financial liabilities	35	5,896.90	2,263.49
Other current liabilities	36	653.40	765.51
Short-term provisions	37	179.82	384.55
Total current liabilities		**16,926.59**	**11,571.99**
Total liabilities		**30,270.16**	**24,432.34**
Total equity and liabilities		**16,688.06**	**14,704.51**

Summary of significant accounting policies 3

The accompanying notes are integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

Place: New Delhi
Date: 22 July 2020

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Gupta)
Partner
Membership No. 097900

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Mahanagar Telephone Nigam Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2020

	Notes	31 March 2020 (` in crores)	31 March 2019 (` in crores)
Income			
Revenue from operations	38	1,623.55	2,085.41
Other income	39	693.04	636.09
Total income		2,316.59	2,721.50
Expenses			
Purchases of stock-in-trade		2.49	1.96
License fees expense	40	169.87	187.91
Employee benefits expense	41	2,128.18	2,275.34
Finance costs	42	1,941.66	1,703.18
Revenue sharing expense		117.60	181.09
Depreciation and amortisation expense	43	985.84	1,002.42
Other expenses	44	663.84	756.16
Total expenses		6,009.48	6,108.05
Profit/ (loss) before share of net profits of investments accounted for using equity method and tax		(3,692.89)	(3,386.55)
Share of profit/(loss) in investments accounted for using equity method		0.23	(0.64)
Profit/ (loss) before tax		(3,692.66)	(3,387.20)
Tax expense	45	1.07	0.88
Net profit/ (loss) for the year		(3,693.73)	(3,388.07)
Other comprehensive income	46		
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plans		(115.32)	(7.39)
Income tax relating to items that will not be reclassified to profit or loss	45	-	-
Items that will be reclassified to profit and loss			
Exchange difference on translation of foreign operations		(5.12)	(0.36)
Income tax relating to items that will be reclassified to profit or loss	45	-	-
Total other comprehensive income/ (loss) for the year		(120.44)	(7.75)
Total comprehensive income/ (loss) for the year		(3,814.17)	(3,395.82)
Profit/ (loss) is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(3,693.73)	(3,388.07)
		(3,693.73)	(3,388.07)
Total comprehensive income/ (loss) is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(3,814.17)	(3,395.82)
		(3,814.17)	(3,395.82)
Loss per equity share:	47		
Basic (`)		(58.63)	(53.78)
Diluted (`)		(58.63)	(53.78)

Summary of significant accounting policies 3

The accompanying notes are integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Garg)
Partner
Membership No. 097900

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 22 July 2020

VINOD KUMAR & ASSOCITES ★ Chartered Accountants ★ New Delhi

KUMAR VIJAY GUPTA & CO. ★ Chartered Accountants ★ New Delhi

Mahanagar Telephone Nigam Limited
Consolidated Cash Flow Statement for the year ended 31 March 2020

	31 March 2020 (` in crores)	31 March 2019 (` in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	**(3,692.66)**	**(3,387.20)**
Adjustments for:		
Depreciation expense	650.12	665.40
Amortisation expense	335.72	337.02
Loss on disposal of property, plant and equipment (net)	(0.77)	15.96
Share of profit from associates and joint ventures	(0.23)	0.64
Interest income	(143.24)	(95.72)
Excess provisions written back	(157.35)	(107.12)
Loss of assets	2.33	1.41
Provision for doubtful debts including discount	64.50	9.65
Provision for obsolete inventory	3.01	1.35
Provision for doubtful claims	1.08	2.29
Remeasurement gains and loss on employee benefit obligations	(115.32)	(7.39)
Finance costs	1,941.66	1,703.18
Bad debts recovered	(0.08)	(0.33)
Bad debts written off	15.23	18.32
Operating loss before working capital changes	**(1,096.00)**	**(842.52)**
Movement in working capital		
Decrease/(increase) in loans	(114.37)	1,101.54
(Increase)/decrease in inventories	0.31	(2.32)
Increase in other financial assets	(2,594.46)	(13.08)
Decrease in other assets	267.93	74.84
Decrease/(increase) in trade and other receivables	(97.21)	(213.07)
Increase/(decrease) in other financial liabilities	3,011.71	(1,058.53)
(Decrease)/increase in other liabilities	(137.70)	119.44
Increase in provisions, trade and other payables	(462.31)	109.90
Cash flows from/(used in) operating activities post working capital changes	**(1,222.10)**	**(723.79)**
Income tax (paid)/refunds (net)	16.46	(9.16)
Net cash used in operating activities (A)	**(1,205.64)**	**(732.95)**
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(142.55)	(310.46)
Movement in fixed deposits (net)	8.51	0.06
Interest received	90.80	13.44
Net cash used in investing activities (B)	**(43.24)**	**(296.96)**
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment of long-term borrowings (net)	1,594.24	1,477.39
Proceeds and repayment of short-term borrowings (net)	1,676.07	1,238.26
Finance cost paid	(1,880.68)	(1,671.49)
Payment towards Lease Liability	(63.73)	-
Net cash flows from financing activities (C)	**1,325.90**	**1,044.16**
Decrease in cash and cash equivalents (A+B+C)	77.02	14.25
Cash and cash equivalents at the beginning of the year	119.58	105.34
Cash and cash equivalents at the end of the year	**196.60**	**119.58**

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Garg)
Partner
Membership No. 087800

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 22 July 2020

Mahanagar Telephone Nigam Limited
Consolidated Statement of changes in equity for the year ended 31 March 2020

A Equity share capital

(` in crores)

Particulars	Balance as at 01 April 2018	Changes in equity share capital during the year	Balance as at 01 April 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
Equity share capital	630.00	-	630.00	-	630.00

B Other equity

(` in crores)

	Securities Premium	General reserve	Research & Development reserve	Contingency reserve	Debenture redemption reserve	Retained Earnings	Exchange differences on translating the financial statements of a foreign operation	Total
Balance as at 01 April 2018	**665.00**	**0.07**	**30.80**	**243.22**	**45.27**	**(7,961.05)**	**14.67**	(6,962.01)
Profit for the year	-	-	-	-	-	(3,388.07)	-	(3,388.07)
Transfer from other comprehensive income to retained earnings	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	(7.39)	(0.36)	(7.75)
Balance as at 31 March 2019	**665.00**	**0.07**	**30.80**	**243.22**	**45.27**	**(11,356.52)**	**14.31**	**(10,357.83)**
Profit for the year	-	-	-	-	-	(3,693.73)	-	(3,693.73)
Impact on transition to Ind AS 116	-	-	-	-	-	(40.09)	-	(40.09)
Other comprehensive income for the year	-	-	-	-	-	(115.32)	(5.12)	(120.44)
Balance as at 31 March 2020	**665.00**	**0.07**	**30.80**	**243.22**	**45.27**	**(15,205.67)**	**9.19**	**(14,212.10)**

For and on behalf of the Board of Directors

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Garg)
Partner
Membership No. 092900

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 22 July 2020

VINOD KUMAR & ASSOCITES ★Chartered Accountants★ New Delhi

KUMAR VIJAY GUPTA & CO. ★ New Delhi ★ Chartered Accountants

Mahanagar Telephone Nigam Limited
Consolidated Balance Sheet as at 31 March 2019

	Notes	31 March 2019 (₹ in crores)	31 March 2018 (₹ in crores)
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,329.56	4,687.53
Capital work-in-progress	5	320.04	330.98
Investment property	6	34.96	35.36
Intangible assets	7	3,101.90	3,440.70
Investments accounted for using the equity method	8	3.73	4.37
Financial assets			
Loans	9	192.34	1,653.40
Other financial assets	10	1.74	10.81
Deferred tax assets (net)	11	0.00	0.00
Income tax assets (net)	12	724.43	715.53
Other non-current assets	13	230.31	369.33
Total non-current assets		**8,939.01**	**11,248.02**
Current assets			
Inventories	14	24.98	25.41
Financial assets			
Current investments	15	-	-
Trade receivables	16	611.48	425.40
Cash and cash equivalents	17	119.58	105.33
Other bank balances	18	20.42	11.41
Loans	19	3,390.02	2,953.89
Other financial assets	20	900.04	886.92
Current tax assets (net)	21	0.33	0.31
Other current assets	22	698.36	634.41
Total current assets		**5,765.21**	**5,043.08**
Assets held for sale	23	0.29	0.09
Total assets		**14,704.51**	**16,291.19**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	24	630.00	630.00
Other equity	25	(10,357.83)	(6,962.01)
Total equity		**(9,727.83)**	**(6,332.01)**
Non-current liabilities			
Financial liabilities			
Borrowings	26	11,472.16	10,292.71
Other financial liabilities	27	323.81	1,995.55
Long-term provisions	28	911.72	1,049.67
Deferred tax liabilities (net)	29	6.34	5.71
Other non-current liabilities	30	146.32	193.92
Total non-current liabilities		**12,860.35**	**13,537.57**
Current liabilities			
Financial liabilities			
Borrowings	31	7,620.35	6,382.09
Trade payables	32		
(a) Total outstanding dues of micro enterprises and small enterprises		5.35	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		528.09	428.78
Other financial liabilities	33	2,268.14	1,342.40
Other current liabilities	34	765.51	598.09
Short-term provisions	35	384.55	334.30
Total current liabilities		**11,571.99**	**9,085.64**
Total liabilities		**24,432.34**	**22,623.21**
Total equity and liabilities		**14,704.51**	**16,291.20**

Summary of significant accounting policies 3

The accompanying notes are integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Sanjay Mehra)
Partner
Membership No. 085389

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 095345

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2019

	Notes	31 March 2019 (₹ in crores)	31 March 2018 (₹ in crores)
Continuing operations			
Income			
Revenue from operations	36	2,085.41	2,471.86
Other income	37	636.09	745.34
Total income		**2,721.50**	**3,217.20**
Expenses			
Purchases of stock-in-trade		1.96	6.70
License fees expense	38	187.91	191.36
Employee benefits expense	39	2,275.34	2,448.79
Finance costs	40	1,703.18	1,505.49
Revenue sharing expense		181.09	173.07
Depreciation and amortisation expense	41	1,002.42	1,053.50
Other expenses	42	756.16	809.33
Total expenses		**6,108.05**	**6,188.22**
Profit/ (loss) before share of net profits of investments accounted for using equity method and tax		**(3,386.55)**	**(2,971.02)**
Share of profit/(loss) in investments accounted for using equity method		(0.64)	0.57
Profit/ (loss) before tax from continuing operations		**(3,387.20)**	**(2,970.46)**
Tax expense	43	0.88	0.90
Net profit/ (loss) for the year from continuing operations		**(3,388.07)**	**(2,971.35)**
Discontinued operations			
Profit from discontinued operations before and after tax		-	0.42
Profit/ (loss) from discontinued operations		**-**	**0.42**
Net profit/ (loss) for the year		**(3,388.07)**	**(2,970.93)**
Other comprehensive income	44		
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plans		(7.39)	2.38
Income tax relating to items that will not be reclassified to profit or loss	43		-
Items that will be reclassified to profit and loss			
Exchange difference on translation of foreign operations		(0.36)	10.40
Income tax relating to items that will be reclassified to profit or loss	43	-	-
Total other comprehensive income/ (loss) for the year		**(7.75)**	**12.78**
Total comprehensive income/ (loss) for the year		**(3,395.82)**	**(2,958.15)**
Profit/ (loss) is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(3,388.07)	(2,970.93)
		(3,388.07)	**(2,970.93)**
Total comprehensive income/ (loss) is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(3,395.82)	(2,958.15)
		(3,395.82)	**(2,958.15)**
Total comprehensive income/ (loss) attributable to owners of Mahanagar Telephone Nigam Limited arises from :			
Continuing operations		(3,395.82)	(2,958.58)
Discontinued operations		-	0.42
		(3,395.82)	**(2,958.15)**
Loss per equity share for loss from continuing operations:	45		
Basic (₹)		(53.78)	(47.16)
Diluted (₹)		(53.78)	(47.16)
Profit per equity share from discontinued operations:	45		
Basic (₹)		-	0.01
Diluted (₹)		-	0.01
Loss per equity share from continuing and discontinued operations:	45		
Basic (₹)		(53.78)	(47.16)
Diluted (₹)		(53.78)	(47.16)
Summary of significant accounting policies	3		

The accompanying notes are integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. [illegible]7N

(Sanjay Mehra)
Partner
Membership No 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 09534[illegible]

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Consolidated Cash Flow Statement for the year ended 31 March 2019

	31 March 2019 (₹ in crores)	31 March 2018 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	(3,387.20)	(2,970.46)
Discontinued operations	-	0.42
	(3,387.20)	(2,970.03)
Adjustments for:		
Depreciation expense	665.40	716.43
Amortisation expense	337.02	337.07
Loss on disposal of property, plant and equipment (net)	15.96	1.44
Share of profit from associates and joint ventures	0.64	(0.57)
Interest income	(95.72)	(262.03)
Excess provisions written back	(107.12)	(182.77)
Loss of assets	1.41	10.90
Provision for doubtful debts including discount	9.65	21.06
Provision for obsolete inventory	1.35	0.75
Provision for doubtful claims	2.29	6.66
Provision for abandoned work capital work in progress	-	13.05
Remeasurement gains and loss on employee benefit obligations	(7.39)	2.38
Finance costs	1,703.18	1,505.49
Bad debts recovered	(0.33)	(0.06)
Bad debts written off	18.32	22.73
Operating loss before working capital changes	**(842.52)**	**(777.50)**
Movement in working capital		
Decrease/(increase) in loans	1,101.54	1,150.63
(Increase)/decrease in inventories	(2.32)	(21.59)
Increase in other financial assets	(13.08)	(43.54)
Decrease in other assets	74.84	2.78
Decrease/(increase) in trade and other receivables	(213.07)	23.26
Increase/(decrease) in other financial liabilities	(1,058.53)	(54.06)
(Decrease)/increase in other liabilities	119.44	(121.61)
Increase in provisions, trade and other payables	109.90	62.11
Cash flows from/(used in) operating activities post working capital changes	**(723.79)**	**220.49**
Income tax (paid)/refunds (net)	(9.16)	(65.79)
Net cash used in operating activities (A)	**(732.95)**	**154.70**
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(310.46)	(511.77)
Movement in fixed deposits (net)	0.06	14.88
Interest received	13.44	4.82
Net cash used in investing activities (B)	**(296.96)**	**(492.07)**
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment of long-term borrowings (net)	1,477.39	3,345.06
Proceeds and repayment of short-term borrowings (net)	1,238.26	(1,528.16)
Finance cost paid	(1,671.49)	(1,472.26)
Net cash flows from financing activities (C)	**1,044.16**	**344.64**
Decrease in cash and cash equivalents (A+B+C)	14.25	7.27
Cash and cash equivalents at the beginning of the year	105.34	98.07
Cash and cash equivalents at the end of the year	**119.58**	**105.34**

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Sanjay Mehra)
Partner
Membership No. 085389

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 095345

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Consolidated Statement of changes in equity for the year ended 31 March 2019

A Equity share capital

(₹ in crores)

Particulars	Balance as at 01 April 2017	Changes in equity share capital during the year	Balance as at 01 April 2018	Changes in equity share capital during the year	Balance as at 31 March 2019
Equity share capital	630.00	-	630.00	-	630.00

B Other equity

(₹ in crores)

								Other comprehensive income	
	Securities Premium	General reserve	Research & Development reserve	Contingency reserve	Debenture redemption reserve	Retained Earnings	Exchange differences on translating the financial statements of a foreign operation	Remeasurement of defined benefit plans	Total
Balance as at 01 April 2017	**665.00**	**0.07**	**30.80**	**243.22**	**45.27**	**(4,957.19)**	**4.28**	**(35.32)**	**(4,003.86)**
Profit for the year	-		-	-	-	(2,970.93)	-	-	(2,970.93)
Transfer from other comprehensive income to retained earnings						(35.32)	-	35.32	-
Other comprehensive income for the year	-		-	-	-	2.38	10.39	-	12.77
Balance as at 31 March 2018	**665.00**	**0.07**	**30.80**	**243.22**	**45.27**	**(7,961.05)**	**14.67**	**-**	**(6,962.02)**
Profit for the year	-		-	-	-	(3,388.07)	-	-	(3,388.07)
Other comprehensive income for the year	-		-	-	-	(7.39)	(0.36)	-	(7.75)
Balance as at 31 March 2019	**665.00**	**0.07**	**30.80**	**243.22**	**45.27**	**(11,356.51)**	**14.31**	**-**	**(10,357.84)**

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)
DIN 8273959

(S.K. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Sanjay Mehra)
Partner
Membership No. 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 095345

Place: New Delhi
Date: 30 May 2019

Mehra Goel & Co. New Delhi Chartered Accountants

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

Mahanagar Telephone Nigam Limited
Consolidated Balance Sheet as at 31 March 2018

	Notes	31 March 2018 (₹ in crores)	31 March 2017 (₹ in crores)
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,687.53	4,928.12
Capital work-in-progress	5	330.98	291.34
Investment property	6	35.36	53.68
Intangible assets	7	3,440.71	3,777.69
Investments accounted for using the equity method	8	4.37	3.81
Financial assets			
Loans	9	1,653.40	2,683.98
Other financial assets	10	10.81	20.39
Deferred tax assets (net)	11	0.00	0.00
Income tax assets (net)	12	715.53	649.70
Other non-current assets	13	369.33	321.69
Total non-current assets		11,248.03	12,730.40
Current assets			
Inventories	14	25.41	15.70
Financial assets			
Current investments	15	-	-
Trade receivables	16	425.40	492.16
Cash and cash equivalents	17	105.33	98.07
Other bank balances	18	11.41	16.70
Loans	19	2,953.89	2,811.40
Other financial assets	20	886.92	843.84
Current tax assets (net)	21	0.31	0.13
Other current assets	22	634.41	684.81
Total current assets		5,043.08	4,962.80
Assets held for sale	23	0.09	0.06
Total assets		16,291.20	17,693.26
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	24	630.00	630.00
Other equity	25	(6,962.01)	(4,003.86)
Total equity		(6,332.01)	(3,373.86)
Non-current liabilities			
Financial liabilities			
Borrowings	26	10,292.71	7,011.31
Other financial liabilities	27	1,995.55	2,050.61
Long-term provisions	28	1,049.67	1,159.18
Deferred tax liabilities (net)	29	5.71	4.60
Other non-current liabilities	30	193.92	228.04
Total non-current liabilities		13,537.56	10,453.74
Current liabilities			
Financial liabilities			
Borrowings	31	6,382.09	7,910.24
Trade payables	32	428.78	437.98
Other financial liabilities	33	1,342.40	1,265.21
Other current liabilities	34	598.09	684.31
Short-term provisions	35	334.30	315.63
Total current liabilities		9,085.65	10,613.37
Total liabilities		22,623.21	21,067.11
Total equity and liabilities		16,291.20	17,693.26

Summary of significant accounting policies 3

The accompanying notes are integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No. 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2018

Mahanagar Telephone Nigam Limited
Consolidated Statement of Profit and Loss for the year ended 31 March 2018

	Notes	31 March 2018 (₹ in crores)	31 March 2017 (₹ in crores)
Continuing operations			
Income			
Revenue from operations	36	2,471.86	2,969.37
Other income	37	745.34	685.32
Total income		3,217.20	3,654.69
Expenses			
Purchases of stock-in-trade		6.70	-
License fees expense	38	191.36	278.76
Employee benefits expense	39	2,448.79	2,651.02
Finance costs	40	1,505.49	1,448.47
Revenue sharing expense		173.07	249.85
Depreciation and amortisation expense	41	1,053.50	1,113.30
Other expenses	42	809.33	853.55
Total expenses		6,188.22	6,594.95
Profit/ (loss) before share of net profits of investments accounted for using equity method and tax		(2,971.02)	(2,940.25)
Share of profit/(loss) in investments accounted for using equity method		0.57	0.69
Profit/ (loss) before tax from continuing operations		(2,970.46)	(2,939.56)
Tax expense	43	0.90	(3.51)
Net profit/ (loss) for the year from continuing operations		(2,971.35)	(2,936.05)
Discontinued operations			
Profit from discontinued operations before and after tax		0.42	-
Profit/ (loss) from discontinued operations		0.42	-
Net profit/ (loss) for the year		(2,970.93)	(2,936.05)
Other comprehensive income	44		
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plans		2.38	(29.49)
Income tax relating to items that will not be reclassified to profit or loss		-	-
Items that will be reclassified to profit and loss			
Exchange difference on translation of foreign operations		10.40	(3.34)
Income tax relating to items that will be reclassified to profit or loss		-	-
Total other comprehensive income/ (loss) for the year		12.78	(32.83)
Total comprehensive income/ (loss) for the year		(2,958.15)	(2,968.88)
Profit/ (loss) is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(2,970.93)	(2,936.05)
		(2,970.93)	(2,936.05)
Total comprehensive income/ (loss) is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(2,958.15)	(2,968.88)
		(2,958.15)	(2,968.88)
Total comprehensive income/ (loss) attributable to owners of Mahanagar Telephone Nigam Limited arises from :			
Continuing operations		(2,958.58)	(2,968.88)
Discontinued operations		0.42	-
		(2,958.15)	(2,968.88)
Loss per equity share for loss from continuing operations:	45		
Basic (₹)		(47.16)	(46.60)
Diluted (₹)		(47.16)	(46.60)
Profit per equity share from discontinued operations:	45		
Basic (₹)		0.01	-
Diluted (₹)		0.01	-
Loss per equity share from continuing and discontinued operations:	45		
Basic (₹)		(47.16)	(46.60)
Diluted (₹)		(47.16)	(46.60)
Summary of significant accounting policies	3		

The accompanying notes are integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agarwal)
Partner
Membership No. 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2018

Consolidated Cash Flow Statement for the year ended 31 March 2018

	31 March 2018 (₹ in crores)	31 March 2017 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	(2,970.46)	(2,939.56)
Discontinued operations	0.42	-
	(2,970.03)	(2,939.56)
Adjustments for:		
Depreciation expense	716.43	773.41
Amortisation expense	337.07	339.89
Loss on disposal of property, plant and equipment (net)	1.44	4.80
Share of profit from associates and joint ventures	(0.57)	(0.69)
Interest income	(262.03)	(398.26)
Excess provisions written back	(182.77)	(45.94)
Loss of assets	10.90	-
Provision for doubtful debts including discount	21.06	36.30
Provision for obsolete inventory	0.75	1.89
Provision for doubtful claims	6.66	21.18
Provision for abandoned work capital work in progress	13.05	-
Remeasurement gains and loss on employee benefit obligations	2.38	(29.49)
Finance costs	1,505.49	1,427.52
Bad debts recovered	(0.06)	
Bad debts written off	22.73	26.83
Operating loss before working capital changes	(777.50)	(782.12)
Movement in working capital		
Decrease/(increase) in loans	1,150.63	(706.80)
(Increase)/decrease in inventories	(21.59)	12.70
Increase in other financial assets	(43.54)	(60.21)
Decrease in other assets	2.78	778.42
Decrease/(increase) in trade and other receivables	23.26	(61.10)
Increase/(decrease) in other financial liabilities	(54.06)	(597.09)
(Decrease)/increase in other liabilities	(121.61)	144.89
Increase in provisions, trade and other payables	62.11	74.71
Cash flows from/(used in) operating activities post working capital changes	220.49	(1,196.59)
Income tax (paid)/refunds (net)	(65.79)	172.26
Net cash used in operating activities (A)	154.70	(1,024.33)
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(511.77)	(416.72)
Movement in fixed deposits (net)	14.88	(14.47)
Interest received	4.82	400.92
Net cash used in investing activities (B)	(492.07)	(30.27)
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment of long-term borrowings (net)	3,345.06	2,448.33
Proceeds and repayment of short-term borrowings (net)	(1,528.16)	(13.56)
Finance cost paid	(1,472.26)	(1,450.85)
Net cash flows from financing activities (C)	344.64	983.92
Decrease in cash and cash equivalents (A+B+C)	7.27	(70.69)
Cash and cash equivalents at the beginning of the year	98.07	168.76
Cash and cash equivalents at the end of the year	105.34	98.07

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No. 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.K. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2018

Mahanagar Telephone Nigam Limited
Consolidated Statement of changes in equity for the year ended 31 March 2018

A Equity share capital

(₹ in crores)

Particulars	Balance as at 01 April 2017	Changes in equity share capital during the year	Balance as at 31 March 2018
Equity share capital	630.00	-	630.00

B Other equity

(₹ in crores)

								Other comprehensive income	
	Securities Premium Reserve	General reserve	Research & Development reserve	Contingency reserve	Debenture redemption reserve	Retained Earnings	Exchange differences on translating the financial statements of a foreign operation	Remeasurement of defined benefit plans	Total
Balance as at 01 April 2017	665.00	0.07	30.80	243.22	45.27	(4,957.19)	4.28	(35.32)	(4,003.86)
Profit for the year	-		-	-	-	(2,970.93)	-	-	(2,970.93)
Dividend paid						0.00	-	-	0.00
Transfer from other comprehensive income to retained earnings						(35.32)	-	35.32	-
Other comprehensive income for the year	-		-	-	-	2.38	10.39	-	12.77
Balance as at 31 March 2018	665.00	0.07	30.80	243.22	45.27	(7,961.06)	14.67	-	(6,962.02)

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Nikhil Agrawal)
Partner
Membership No. 419806

MEHRA GOEL & CO. ★ NEW DELHI ★ CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2018

ANNEXURE – II (B) AUDITED FINANCIALS FOR LAST 3 YEARS STANDALONE

Mahanagar Telephone Nigam Limited
Balance Sheet as at 31 March 2020

	Notes	31 March 2020 (₹ in crores)	31 March 2019 (₹ in crores)
ASSETS			
Non-current assets			
Property, plant and equipment	4	3,486.96	4,233.78
Capital work-in-progress	5	328.08	320.04
Right-of-use assets	6	503.16	-
Investment property	7	31.43	25.74
Intangible assets	8	2,766.21	3,101.90
Financial assets			
Non-current investments	9	106.13	106.13
Loans	10	202.34	192.02
Other financial assets	11	0.63	1.74
Income tax assets (net)	12	706.98	723.71
Other non-current assets	13	23.85	230.31
Total non-current assets		**8,155.77**	**8,935.37**
Current assets			
Inventories	14	18.54	24.17
Financial assets			
Trade receivables	15	620.74	603.86
Cash and cash equivalents	16	142.68	74.85
Other bank balances	17	13.02	20.42
Loans	18	3,545.20	3,390.42
Other financial assets	19	3,492.91	899.90
Other current assets	20	631.32	692.31
Total current assets		**8,464.41**	**5,705.93**
Assets held for sale	21	35.90	36.14
Total assets		**16,656.08**	**14,677.44**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	22	630.00	630.00
Other equity	23	(14,215.65)	(10,364.93)
Total equity		**(13,585.65)**	**(9,734.93)**
Non-current liabilities			
Financial liabilities			
Borrowings	24	12,554.15	11,431.58
Lease liabilities	25	221.03	40.57
Other financial liabilities	26	199.97	323.81
Long-term provisions	27	240.12	911.72
Other non-current liabilities	28	120.61	146.10
Total non-current liabilities		**13,335.88**	**12,853.78**
Current liabilities			
Financial liabilities			
Borrowings	29	9,296.42	7,620.36
Lease liabilities	30	103.91	4.65
Trade payables	31		
(a) Total outstanding dues of micro enterprises and small enterprises		47.13	5.35
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		735.19	524.38
Other financial liabilities	32	5,891.44	2,256.09
Other current liabilities	33	652.75	764.02
Short-term provisions	34	179.01	383.75
Total current liabilities		**16,905.85**	**11,558.60**
Total liabilities		**30,241.73**	**24,412.38**
Total equity and liabilities		**16,656.08**	**14,677.44**
Summary of significant accounting policies	3		

The accompanying notes are integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)
DIN 08273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. [illegible]

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(P[illegible] Kumar Garg)
Partner
Membership No. 097500

Place: New Delhi
Date: 22 July 2020

Mahanagar Telephone Nigam Limited
Statement of Profit and Loss for the year ended 31 March 2020

	Notes	31 March 2020 (₹ in crores)	31 March 2019 (₹ in crores)
Income			
Revenue from operations	35	1,536.36	1,987.80
Other income	36	690.66	618.91
Total income		**2,227.02**	**2,606.71**
Expenses			
License fees expense	37	159.18	176.55
Employee benefits expense	38	2,124.45	2,272.03
Finance costs	39	1,941.54	1,703.18
Revenue sharing expense		99.14	162.18
Depreciation and amortisation expense	40	971.95	983.70
Other expenses	41	626.44	699.27
Total expenses		**5,922.70**	**5,996.91**
Profit/ (loss) before tax		**(3,695.68)**	**(3,390.20)**
Tax expense	42	-	-
Net profit/ (loss) for the year		**(3,695.68)**	**(3,390.20)**
Other comprehensive income	43		
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plans		(115.32)	(7.39)
Income tax relating to items that will not be reclassified to profit or loss	42	-	-
Total other comprehensive income/ (loss) for the year		**(115.32)**	**(7.39)**
Total comprehensive income/ (loss) for the year		**(3,811.00)**	**(3,397.58)**
Loss per equity share:	44		
Basic (₹)		(58.66)	(53.81)
Diluted (₹)		(58.66)	(53.81)

Summary of significant accounting policies 3

The accompanying notes are integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Garg)
Partner
Membership No. 097900

(M.V. Joshi)
Director (Finance)
DIN 08273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 22 July 2020

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

Mahanagar Telephone Nigam Limited
Cash Flow Statement for the year ended 31 March 2020

	31 March 2020 (₹ in crores)	31 March 2019 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(3,695.68)	(3,390.20)
Adjustments for:		
Depreciation expense	636.23	646.68
Amortisation expense	335.72	337.02
(Gain)/ Loss on disposal of property, plant and equipment (net)	(0.77)	1.02
Dividend income	(1.68)	2.91
Interest income	(142.34)	(94.80)
Excess provisions written back	(157.09)	(90.54)
Provision for doubtful debts including discount	64.50	9.65
Provision for obsolete inventory	3.01	1.35
Provision for doubtful claims	0.91	2.12
Loss of assets	2.33	1.41
Remeasurement gains and loss on employee benefit obligations	(115.32)	(7.39)
Finance costs	1,941.54	1,703.18
Bad debts recovered	(0.08)	(0.33)
Bad debts written off	15,23	18.32
Operating loss before working capital changes	**(1,113.49)**	**(859.58)**
Movement in working capital		
Decrease/(increase) in loans	(113.57)	1,105.20
(Increase)/decrease in inventories	0.29	(2.32)
Increase in other financial assets	(2,593.01)	(13.24)
Decrease in other assets	267.46	79.57
Decrease/(increase) in trade and other receivables	(96.54)	(207.22)
Increase/(decrease) in other financial liabilities	3,015.96	(1,062.43)
(Decrease)/increase in other liabilities	(136.76)	124.14
Increase in provisions, trade and other payables	(472.20)	106.83
Cash flows from/(used in) operating activities post working capital changes	**(1,241.86)**	**(729.05)**
Income tax (paid)/refunds (net)	16.73	(8.89)
Net cash used in operating activities (A)	**(1,225.13)**	**(737.94)**
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(133.26)	(295.40)
Movement in fixed deposits (net)	8.51	0.06
Dividend received	1.68	(2.91)
Interest received	89.89	12.52
Net cash used in investing activities (B)	**(33.18)**	**(285.74)**
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment of long-term borrowings (net)	1,594.24	1,477.39
Proceeds and repayment of short-term borrowings (net)	1,676.07	1,238.26
Finance cost paid	(1,880.68)	(1,671.49)
Payment towards lease liabilities	(63.49)	-
Net cash flows from financing activities (C)	**1,326.14**	**1,044.16**
Decrease in cash and cash equivalents (A+B+C)	67.83	20.48
Cash and cash equivalents at the beginning of the year	74.85	54.37
Cash and cash equivalents at the end of the year	**142.68**	**74.85**

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)
DIN 08273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

Place: New Delhi
Date: 22 July 2020

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Garg)
Partner
Membership No. 097900

Mahanagar Telephone Nigam Limited
Statement of changes in equity for the year ended 31 March 2020

A Equity share capital (₹ in crores)

Particulars	Balance as at 01 April 2018	Changes in equity share capital during the year	Balance as at 31 March 2019	Changes in equity share capital during the year	Balance as at 31 March 2020
Equity share capital	630.00	-	630.00	-	630.00

B Other equity (₹ in crores)

	Securities Premium	Research & Development reserve	Contingency reserve	Debenture redemption reserve	Retained Earnings	Total
Balance as at 01 April 2018	**665.00**	**30.80**	**243.22**	**45.27**	**(7,951.65)**	**(6,967.35)**
Profit for the year	-	-	-	-	(3,390.20)	(3,390.20)
Transfer from other comprehensive income to retained earnings					-	-
Remeasurement of defined benefit obligation	-	-	-	-	(7.39)	(7.39)
Balance as at 31 March 2019	**665.00**	**30.80**	**243.22**	**45.27**	**(11,349.24)**	**(10,364.94)**
Profit for the year	-	-	-	-	(3,695.68)	(3,695.68)
Impact on transition to Ind AS 116					(39.71)	(39.71)
Remeasurement of defined benefit obligation	-	-	-	-	(115.32)	(115.32)
Balance as at 31 March 2020	**665.00**	**30.80**	**243.22**	**45.27**	**(15,199.95)**	**(14,215.65)**

For and on behalf of the Board of Directors

For Vinod Kumar & Associates
Chartered Accountants
FRN No. 002304N

(Mukesh Dadhich)
Partner
Membership No. 511741

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Pawan Kumar Gupta)
Partner
Membership No. 092900

(M.V. Joshi)
Director (Finance)
DIN 08273959

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 22 July 2020

Mahanagar Telephone Nigam Limited
Balance Sheet as at 31 March 2019

	Notes	31 March 2019 (₹ in crores)	31 March 2018 (₹ in crores)
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,233.78	4,575.15
Capital work-in-progress	5	320.04	330.98
Investment property	6	25.74	25.57
Intangible assets	7	3,101.90	3,439.27
Financial assets			
Non-current investments	8	106.13	106.13
Loans	9	192.02	1,653.12
Other financial assets	10	1.74	10.81
Income tax assets (net)	11	723.71	714.82
Other non-current assets	12	230.31	369.33
Total non-current assets		**8,935.37**	**11,225.18**
Current assets			
Inventories	13	24.17	24.61
Financial assets			
Current investments	14	-	-
Trade receivables	15	603.85	424.27
Cash and cash equivalents	16	74.85	54.37
Other bank balances	17	20.42	11.41
Loans	18	3,390.42	2,954.37
Other financial assets	19	899.90	886.66
Other current assets	20	692.31	632.86
Total current assets		**5,705.93**	**4,988.55**
Assets held for sale	21	36.14	35.94
Total assets		**14,677.44**	**16,249.66**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	22	630.00	630.00
Other equity	23	(10,364.94)	(6,967.35)
Total equity		**(9,734.94)**	**(6,337.35)**
Non-current liabilities			
Financial liabilities			
Borrowings	24	11,472.16	10,292.71
Other financial liabilities	25	323.81	1,995.55
Long-term provisions	26	911.72	1,049.67
Other non-current liabilities	27	146.10	193.70
Total non-current liabilities		**12,853.78**	**13,531.64**
Current liabilities			
Financial liabilities			
Borrowings	28	7,620.35	6,382.09
Trade payables	29		
(a) Total outstanding dues of micro enterprises and small enterprises		5.35	-
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		524.38	428.80
Other financial liabilities	30	2,260.74	1,335.46
Other current liabilities	31	764.02	592.26
Short-term provisions	32	383.75	316.78
Total current liabilities		**11,558.60**	**9,055.39**
Total liabilities		**24,412.38**	**22,587.02**
Total equity and liabilities		**14,677.44**	**16,249.67**
Summary of significant accounting policies	3		

The accompanying notes are integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Sanjay Mehra)
Partner
Membership No. 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 095345

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Statement of Profit and Loss for the year ended 31 March 2019

	Notes	31 March 2019 (₹ in crores)	31 March 2018 (₹ in crores)
Continuing operations			
Income			
Revenue from operations	33	1,987.80	2,371.91
Other income	34	618.91	744.51
Total income		**2,606.71**	**3,116.42**
Expenses			
Purchases of stock-in-trade		-	5.88
License fees expense	35	176.55	182.54
Employee benefits expense	36	2,272.03	2,445.79
Finance costs	37	1,703.18	1,505.49
Revenue sharing expense		162.18	151.69
Depreciation and amortisation expense	38	983.70	1,028.68
Other expenses	39	699.27	769.80
Total expenses		**5,996.91**	**6,089.87**
Profit/ (loss) before tax from continuing operations		**(3,390.20)**	**(2,973.45)**
Tax expense	40	-	-
Net profit/ (loss) for the year from continuing operations		**(3,390.20)**	**(2,973.45)**
Discontinued operations			
Profit from discontinued operations before and after tax		-	0.42
Profit/ (loss) from discontinued operations		**-**	**0.42**
Net profit/ (loss) for the year		**(3,390.20)**	**(2,973.03)**
Other comprehensive income	41		
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plans		(7.39)	2.38
Income tax relating to items that will not be reclassified to profit or loss	40	-	-
Total other comprehensive income/ (loss) for the year		**(7.39)**	**2.38**
Total comprehensive income/ (loss) for the year		**(3,397.58)**	**(2,970.65)**
Loss per equity share for loss from continuing operations:	42		
Basic (₹)		(53.81)	(47.20)
Diluted (₹)		(53.81)	(47.20)
Profit per equity share from discontinued operations:	42		
Basic (₹)		-	0.01
Diluted (₹)		-	0.01
Loss per equity share from continuing and discontinued operations:	42		
Basic (₹)		(53.81)	(47.19)
Diluted (₹)		(53.81)	(47.19)
Summary of significant accounting policies	3		

The accompanying notes are integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

(M.V. Joshi)
Director (Finance)

(S.R. Sayal)
CO. Secy.

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Sanjay Mehra)
Partner
Membership No. 085389

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 095545

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Cash Flow Statement for the year ended 31 March 2019

	31 March 2019 (₹ in crores)	31 March 2018 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	(3,390.20)	(2,973.45)
Discontinued operations	-	0.42
	(3,390.20)	**(2,973.03)**
Adjustments for:		
Depreciation expense	646.68	691.61
Amortisation expense	337.02	337.07
Loss on disposal of property, plant and equipment (net)	1.02	1.44
Dividend income	2.91	(2.71)
Interest income	(94.80)	(261.23)
Excess provisions written back	(90.54)	(181.66)
Provision for doubtful debts including discount	9.65	21.06
Provision for obsolete inventory	1.35	0.75
Provision for doubtful claims	2.12	6.39
Loss of assets	1.41	10.90
Provision for abandoned work capital work in progress	-	13.05
Remeasurement gains and loss on employee benefit obligations	(7.39)	2.38
Finance costs	1,703.18	1,505.49
Bad debts recovered	(0.33)	(0.06)
Bad debts written off	18.32	22.73
Operating loss before working capital changes	**(859.58)**	**(805.81)**
Movement in working capital		
Decrease/(increase) in loans	1,105.21	1,138.92
(Increase)/decrease in inventories	(2.32)	(21.19)
Increase in other financial assets	(13.24)	(42.94)
Decrease in other assets	79.57	2.70
Decrease/(increase) in trade and other receivables	(207.22)	23.58
Increase/(decrease) in other financial liabilities	(1,062.43)	(54.03)
(Decrease)/increase in other liabilities	124.14	(125.50)
Increase in provisions, trade and other payables	106.83	68.42
Cash flows from/(used in) operating activities post working capital changes	**(729.05)**	**184.14**
Income tax (paid)/refunds (net)	(8.89)	(65.77)
Net cash used in operating activities (A)	**(737.94)**	**118.37**
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(295.40)	(491.30)
Movement in fixed deposits (net)	0.06	(11.06)
Dividend received	(2.91)	2.71
Interest received	12.52	4.02
Net cash used in investing activities (B)	**(285.74)**	**(495.63)**
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment of long-term borrowings (net)	1,477.39	3,345.06
Proceeds and repayment of short-term borrowings (net)	1,238.26	(1,528.16)
Finance cost paid	(1,671.49)	(1,472.26)
Net cash flows from financing activities (C)	**1,044.16**	**344.64**
Decrease in cash and cash equivalents (A+B+C)	20.48	(32.62)
Cash and cash equivalents at the beginning of the year	54.38	87.00
Cash and cash equivalents at the end of the year	**74.86**	**54.38**

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Sanjay Mehra)
Partner
Membership No. 085389

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Alok Jain)
Partner
Membership No. 095315

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(M.V. Joshi)
Director (Finance)

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Statement of changes in equity for the year ended 31 March 2019

A Equity share capital

(₹ in crores)

Particulars	Balance as at 01 April 2017	Changes in equity share capital during the year	Balance as at 31 March 2018	Changes in equity share capital during the year	Balance as at 31 March 2019
Equity share capital	630.00	-	630.00	-	630.00

B Other equity

(₹ in crores)

						Other comprehensive income	
	Securities Premium	Research & Development reserve	Contingency reserve	Debenture redemption reserve	Retained Earnings	Remeasurement of defined benefit plans	Total
Balance as at 01 April 2017	**665.00**	**30.80**	**243.22**	**45.27**	**(4,945.69)**	**(35.32)**	**(3,996.70)**
Profit for the year	-	-	-	-	(2,973.03)	-	(2,973.03)
Transfer from other comprehensive income to retained earnings					(35.32)	35.32	-
Remeasurement of defined benefit obligation	-	-	-	-	2.38	-	2.38
Balance as at 31 March 2018	**665.00**	**30.80**	**243.22**	**45.27**	**(7,951.65)**	**-**	**(6,967.35)**
Profit for the year	-	-	-	-	(3,390.20)	-	(3,390.20)
Remeasurement of defined benefit obligation	-	-	-	-	(7.39)	-	(7.39)
Balance as at 31 March 2019	**665.00**	**30.80**	**243.22**	**45.27**	**(11,349.24)**	**-**	**(10,364.94)**

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Sanjay Mehra)
Partner
Membership No. 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(Alok Jain)
Partner
Membership No. 095345

(M.V. Joshi)
Director (Finance)

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2019

Mahanagar Telephone Nigam Limited
Balance Sheet as at 31 March 2018

	Notes	31 March 2018 (₹ in crores)	31 March 2017 (₹ in crores)
ASSETS			
Non-current assets			
Property, plant and equipment	4	4,575.15	4,808.32
Capital work-in-progress	5	330.98	291.34
Investment property	6	25.57	46.52
Intangible assets	7	3,439.27	3,776.69
Financial assets			
Non-current investments	8	106.13	141.98
Loans	9	1,653.12	2,683.72
Other financial assets	10	10.81	10.55
Income tax assets (net)	11	714.82	649.05
Other non-current assets	12	369.33	321.37
Total non-current assets		**11,225.18**	**12,729.54**
Current assets			
Inventories	13	24.61	15.07
Financial assets			
Current investments	14	-	-
Trade receivables	15	424.27	491.58
Cash and cash equivalents	16	54.37	87.00
Other bank balances	17	11.41	0.60
Loans	18	2,954.37	2,811.87
Other financial assets	19	886.66	843.72
Other current assets	20	632.86	683.52
Total current assets		**4,988.55**	**4,933.36**
Assets held for sale	21	35.94	0.06
Total assets		**16,249.66**	**17,662.96**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	22	630.00	630.00
Other equity	23	(6,967.35)	(3,996.70)
Total equity		**(6,337.35)**	**(3,366.70)**
Non-current liabilities			
Financial liabilities			
Borrowings	24	10,292.71	7,011.31
Other financial liabilities	25	1,995.55	2,050.61
Long-term provisions	26	1,049.67	1,159.18
Other non-current liabilities	27	193.70	227.83
Total non-current liabilities		**13,531.63**	**10,448.93**
Current liabilities			
Financial liabilities			
Borrowings	28	6,382.09	7,910.24
Trade payables	29	428.80	429.75
Other financial liabilities	30	1,335.46	1,258.80
Other current liabilities	31	592.26	683.64
Short-term provisions	32	316.78	298.30
Total current liabilities		**9,055.39**	**10,580.74**
Total liabilities		**22,587.02**	**21,029.66**
Total equity and liabilities		**16,249.67**	**17,662.96**

Summary of significant accounting policies 3

The accompanying notes are integral part of the financial statements.

This is the balance sheet referred to in our report of even date.

For and on behalf of the Board of Directors

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No. 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

Place: New Delhi
Date: 30 May 2018

Mahanagar Telephone Nigam Limited
Statement of Profit and Loss for the year ended 31 March 2018

	Notes	31 March 2018 (₹ in crores)	31 March 2017 (₹ in crores)
Continuing operations			
Income			
Revenue from operations	33	2,371.91	2,869.68
Other income	34	744.51	682.78
Total income		**3,116.42**	**3,552.46**
Expenses			
Purchases of stock-in-trade		5.88	-
License fees expense	35	182.54	270.08
Employee benefits expense	36	2,445.79	2,647.81
Finance costs	37	1,505.49	1,448.47
Revenue sharing expense		151.69	227.78
Depreciation and amortisation expense	38	1,028.68	1,087.63
Other expenses	39	769.80	816.14
Total expenses		**6,089.87**	**6,497.91**
Profit/ (loss) before tax from continuing operations		**(2,973.45)**	**(2,945.46)**
Tax expense	40	-	(4.38)
Net profit/ (loss) for the year from continuing operations		**(2,973.45)**	**(2,941.08)**
Discontinued operations			
Profit from discontinued operations before and after tax		0.42	-
Profit/ (loss) from discontinued operations		0.42	-
Net profit/ (loss) for the year		**(2,973.03)**	**(2,941.08)**
Other comprehensive income	41		
Items that will not be reclassified to profit and loss			
Re-measurements of defined benefit plans		2.38	(29.49)
Income tax relating to items that will not be reclassified to profit or loss		-	-
Total other comprehensive income/ (loss) for the year		**2.38**	**(29.49)**
Total comprehensive income/ (loss) for the year		**(2,970.65)**	**(2,970.57)**
Loss per equity share for loss from continuing operations:	42		
Basic (₹)		(47.20)	(46.68)
Diluted (₹)		(47.20)	(46.68)
Profit per equity share from discontinued operations:	42		
Basic (₹)		0.01	-
Diluted (₹)		0.01	-
Loss per equity share from continuing and discontinued operations:	42		
Basic (₹)		(47.19)	(46.68)
Diluted (₹)		(47.19)	(46.68)
Summary of significant accounting policies	3		

The accompanying notes are integral part of the financial statements.

This is the statement of profit and loss referred to in our report of even date.

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No. 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2018

	31 March 2018 (₹ in crores)	31 March 2017 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(loss) before tax		
Continuing operations	(2,973.45)	(2,945.46)
Discontinued operations	0.42	-
	(2,973.03)	(2,945.46)
Adjustments for:		
Depreciation expense	691.61	747.74
Amortisation expense	337.07	339.89
Loss on disposal of property, plant and equipment (net)	1.44	4.80
Dividend income	(2.71)	-
Interest income	(261.23)	(401.90)
Excess provisions written back	(181.66)	(45.94)
Provision for doubtful debts including discount	21.06	36.30
Provision for obsolete inventory	0.75	1.89
Provision for doubtful claims	6.39	20.63
Loss of assets	10.90	-
Provision for abandoned work capital work in progress	13.05	-
Remeasurement gains and loss on employee benefit obligations	2.38	(29.49)
Finance costs	1,505.49	1,418.67
Bad debts recovered	(0.06)	-
Bad debts written off	22.73	34.12
Operating loss before working capital changes	**(805.81)**	**(818.74)**
Movement in working capital		
Decrease/(increase) in loans	1,138.92	(690.78)
(Increase)/decrease in inventories	(21.19)	12.78
Increase in other financial assets	(42.94)	(60.10)
Decrease in other assets	2.70	780.09
Decrease/(increase) in trade and other receivables	23.58	(70.00)
Increase/(decrease) in other financial liabilities	(54.03)	(596.45)
(Decrease)/increase in other liabilities	(125.50)	144.40
Increase in provisions, trade and other payables	68.42	76.02
Cash flows from/(used in) operating activities post working capital changes	**184.14**	**(1,222.78)**
Income tax (paid)/refunds (net)	(65.77)	172.37
Net cash used in operating activities (A)	**118.37**	**(1,050.41)**
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(491.30)	(400.85)
Proceeds from assets held for sale (net)	-	0.58
Movement in fixed deposits (net)	(11.06)	(2.17)
Dividend received	2.71	-
Interest received	4.02	393.05
Net cash used in investing activities (B)	**(495.63)**	**(9.39)**
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment of long-term borrowings (net)	3,345.06	2,448.33
Proceeds and repayment of short-term borrowings (net)	(1,528.16)	(13.56)
Finance cost paid	(1,472.26)	(1,442.01)
Net cash flows from financing activities (C)	**344.64**	**992.76**
Decrease in cash and cash equivalents (A+B+C)	(32.62)	(67.03)
Cash and cash equivalents at the beginning of the year	87.00	154.03
Cash and cash equivalents at the end of the year	**54.38**	**87.00**

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Nikhil Agrawal)
Partner
Membership No. 419866

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

Place: New Delhi
Date: 30 May 2018

Mahanagar Telephone Nigam Limited
Statement of changes in equity for the year ended 31 March 2018

A Equity share capital

(₹ in crores)

Particulars	Balance as at 01 April 2017	Changes in equity share capital during the year	Balance as at 31 March 2018
Equity share capital	630.00	-	630.00

B Other equity

(₹ in crores)

						Other comprehensive income	
	Securities Premium Reserve	Research & Development reserve	Contingency reserve	Debenture redemption reserve	Retained Earnings	Remeasurement of defined benefit plans	Total
Balance as at 01 April 2017	665.00	30.80	243.22	45.27	(4,945.69)	(35.32)	(3,996.70)
Profit for the year	-	-	-	-	(2,973.03)	-	(2,973.03)
Transfer from other comprehensive income to retained earnings					(35.32)	35.32	-
Remeasurement of defined benefit obligation	-	-	-	-	2.38		2.38
Balance as at 31 March 2018	665.00	30.80	243.22	45.27	(7,951.65)	-	(6,967.35)

For and on behalf of the Board of Directors

For Mehra Goel & Co.
Chartered Accountants
FRN No. 000517N

(Nikhil Agrawal)
Partner
Membership No. 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
FRN No. 007814N

(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

(P.K. Purwar)
Chairman and Managing Director
DIN 06619060

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Place: New Delhi
Date: 30 May 2018

ANNEXURE – II (C) UNAUDITED FINANCIALS SEPTEMBER 30, 2020 CONSOLIDATED

Annexure I

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Govt. of India Enterprise)

Regd. Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi 110003

Website: www.mtnl.net.in, Phone Off: 011-24319020, Fax: 011-24324243

CIN No: L32101DL1986GOI023501

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED ON 30/09/2020

(Rs. in Crore)

		CONSOLIDATED					
		Three Month Ended			Six Month Ended		Year Ended
Sl. No.	Particulars	3 months ended 30/09/2020	Preceding 3 months ended 30/06/2020	Corresponding 3 months ended 30/09/2019 in the previous year	Year to date figures for Current period ended 30/09/2020	Year to date figures for previous period ended 30/09/2019	Previous year ended 31/03/2020
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1	2	3	4	5	6	7	8
I	Revenue from operations	342.19	368.80	388.53	710.99	822.37	1,623.55
II	Other Income	116.09	103.59	238.60	219.68	350.53	693.04
III	**Total Income (I+II)**	**458.28**	**472.39**	**627.13**	**930.67**	**1,172.90**	**2,316.58**
IV	**Expenses**						
	Purchases of Stock in Trade	1.40	0.41	0.84	1.81	1.38	2.49
	License Fees & Spectrum Charges	34.29	35.24	38.89	69.53	78.31	169.88
	Employees' Remuneration and benefits	121.44	156.97	602.75	278.40	1,238.98	2,128.17
	Finance Cost	509.80	525.77	483.55	1,035.57	958.24	1,941.66
	Revenue Sharing	20.99	27.23	28.82	48.22	63.32	117.60
	Depreciation and amortization expense	230.96	236.21	247.84	467.17	501.62	985.84
	Administrative Expenses	122.05	130.01	175.33	252.06	335.75	663.84
	Total Expenses (IV)	**1,040.91**	**1,111.84**	**1,577.51**	**2,152.76**	**3,177.60**	**6,009.48**
V	**Profits/(Loss) before exceptional items and tax(III-IV)**	**(582.63)**	**(639.45)**	**(950.39)**	**(1,222.08)**	**(2,004.70)**	**(3,692.89)**
VI	Share of Profit/(loss) in investments accounted for using equity method	0.38	0.30	0.22	0.67	(0.07)	0.23
VII	Exceptional items		-	-	-		
VIII	**Profit/ (Loss) before tax (V- VI-VII)**	**(582.25)**	**(639.15)**	**(950.17)**	**(1,221.41)**	**(2,004.77)**	**(3,692.66)**
IX	**Tax expense:**						
	(1) Current tax						0.41
	(2) Deferred tax	-	-	-	-		0.66
X	**Profit/ (Loss) for the period from continuing operations (VIII - IX)**	**(582.25)**	**(639.15)**	**(950.17)**	**(1,221.41)**	**(2,004.77)**	**(3,693.72)**
XI	Profit/ (Loss) From discontinued operations						
XII	Tax expense of discontinued operations						
XIII	**Profit/ (Loss) from Discontinued Operations (after tax) (XI-XII)**				-		
XIV	**Profit/ (Loss) for the period (X + XIII)**	**(582.25)**	**(639.15)**	**(950.17)**	**(1,221.41)**	**(2,004.77)**	**(3,693.72)**
XV	**Other Comprehensive Income**						
A	i) Items that will not be reclassified to profit and loss	-	-	-	-		(115.32)
	ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-			
B	i) Items that will be reclassified to profit or loss	(1.77)	(1.75)	0.01	(3.47)	(1.73)	(5.12)
	ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-			
	Other Comprehensive income for the year	**(1.72)**	**(1.75)**	**0.01**	**(3.47)**	**(1.73)**	**(120.44)**
XVI	**Total Comprehensive Income for the period (XIV+XV)**	**(583.97)**	**(640.90)**	**(950.16)**	**(1,224.87)**	**(2,006.50)**	**(3,814.17)**
XVII	**Paid up Equity Share Capital**						630.00
XVIII	**Other Equity excluding revaluation reserves**						(14,212.09)
XIX	**Earnings per equity Share (of Rs.10 each) for continuing operations(not annualised)**						
	(1) Basic	(9.24)	(10.15)	(15.08)	(19.39)	(31.82)	(58.63)
	(2) Diluted	(9.24)	(10.15)	(15.08)	(19.39)	(31.82)	(58.63)
XX	**Earnings per equity Share of Rs.10 each(for discontinued operations):(not annualised)**						
	(1) Basic						
	(2) Diluted	-				-	-
XXI	**Earnings per equity Share of Rs.10 each (for discontinued & continuing operations): (not annualised)**						
	(1) Basic	(9.24)	(10.15)	(15.08)	(19.39)	(31.82)	(58.63)
	(2) Diluted	(9.24)	(10.15)	(15.08)	(19.39)	(31.82)	(58.63)

See accompanying notes to the financial results:

SPMG & CO. New Delhi Chartered Accountants

Notes:

1 The financial results have been prepared in accordance with the Indian Accounting Standards (Ind- AS) as prescribed under Section 133 of the Companies Act 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules thereafter.

2 The above results have been reviewed and adopted by the Board of Directors of the Company in their meeting held on 11.11.2020

3 The Auditors of the Company have carried out 'Limited Review' of the above financial results for the quarter ended 30th September, 2020.

4 Due to COVID 19 pandemic, nationwide lockdown was imposed from 24/03/2020 and MTNL, being in essential services, although the working hampered but MTNL continued to serve in this reporting period. However there is a decrease in revenue by 2.99 % in the Quarter 2 of FY 2020-21 as compared to Quarter 1 of FY 2020-21. Therefore there is no assessable some impact of COVID 19 pandemic on the working of MTNL in the period under report. Although there is decline in revenue, as the same cannot be attributable directly to COVID 19.

5 The figures for the previous periods have been regrouped wherever necessary to conform to the current period presentation.

For and on behalf of the Board

(P K Purwar)
Chairman & Managing Director
DIN: 06619060

Place : New Delhi
Date : 11.11.2020

SPMG & CO.
New Delhi
Chartered Accountants

Annexure III

MAHANAGAR TELEPHONE NIGAM LIMITED

Regd. Office - Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003
Website: www.mtnl.net.in, Phone Off: 011 24319020, Fax: 011-24324243
CIN No: L32101DL1986GOI023501

CONSOLIDATED UNAUDITED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Crore)

	Particulars	CONSOLIDATED	
		As at 30.09.2020	As at 31.03.2020
		Unaudited	Audited
	ASSETS		
(1)	Non-current assets		
	(a) Property, Plant and Equipment	3,437.81	3,579.11
	(b) Capital work-in-progress	239.14	328.08
	(c) Right-of-Use Asset	475.79	503.66
	(d) Investment Property	39.17	39.79
	(e) Intangible assets	2,598.61	2,766.21
	(f) Investments accounted for using the equity method	4.18	3.51
	(g) Financial Assets		
	(i) Loans	265.66	202.67
	(ii) Others	1.14	0.63
	(h) Deferred tax assets (net)	0.00	0.00
	(i) Non Current Tax Asset	635.55	707.36
	(j) Other Non-Current Assets	26.73	23.85
	Total non-current assets	7,698.78	8,154.88
(2)	Current assets		
	(a) Inventories	13.29	19.32
	(b) Financial Assets		
	(i) Trade Receivables	877.00	628.96
	(ii) Cash and cash equivalents	98.23	196.60
	(iii) Bank Balances other than (ii) above	36.08	13.02
	(iv) Loans	3,539.64	3,545.35
	(v) Other Financial Assets	597.68	3,492.91
	(c) Current tax assets (Net)	0.29	0.29
	(d) Other current assets	646.65	636.68
	Total Current assets	6,208.85	8,533.13
(3)	Asset held for sale	0.07	0.05
	Total Assets(1+2+3)	13,907.19	16,688.06
	EQUITY AND LIABILITIES		
	Equity		
	(a) Equity Share Capital	630.00	630.00
	(b) Other Equity	(15,437.07)	(14,212.09)
(1)	Total Equity	(14,807.07)	(13,582.09)
	LIABILITIES		
(i)	Non-Current Liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	12,581.17	12,554.15
	(ii) Lease liabilities	207.48	221.74
	(iii) Other Financial Liabilities	213.56	199.97
	(b) Long Term Provisions	246.54	240.12
	(c) Deferred tax liabilities (Net)	6.58	6.75
	(d) Other Non Current liabilities	108.97	170.83
	Total Non-Current Liabilities	13,359.30	13,343.57
(ii)	Current Liabilities		
	(a) Financial Liabilities		
	(i) Borrowings	9,727.18	9,295.42
	(ii) Lease Liabilities	76.16	104.04
	(iii) Trade Payables		
	(A) total outstanding dues of micro enterprises and small enterprises	57.70	47.13
	(B) total outstanding dues of creditors other than micro enterprises and small enterprises	782.77	748.88
	(iv) Other Financial Liabilities	3,794.33	5,896.90
	(b) Other current liabilities	749.10	653.40
	(c) Short Term Provisions	173.21	179.82
	Total Current Liabilities	15,354.96	16,926.59
(2)	Total Liabilities (I)+(II)	28,714.26	30,270.16
	Total Equity and Liabilities (1+2)	13,907.19	16,688.06

Place : New Delhi
Date : 11.11.2020

SPMG & CO.
New Delhi
Chartered Accountants

For and on behalf of the Board

(P K Purwar)
Chairman & Managing Director
DIN No. 06619060

MAHANAGAR TELEPHONE NIGAM LIMITED

Unaudited Consolidated Cash Flow Statement for the Half Year ended 30th September, 2020

(Rs. in crores)

		Half Year ended	
		30th Sept. 2020	30th Sept. 2019
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit/(Loss) before tax		
	Continuing operations	(1,221.41)	(2,004.77)
	Discontinued operations	-	-
		(1,221.41)	**(2,004.77)**
	Adjustments for:		
	Depreciation expense	299.57	333.52
	Amortisation expense	167.60	168.10
	Loss on disposal of property, plant and equipment (net)	0.08	0.27
	Share of (profit)/loss from associates and joint ventures	(0.67)	0.07
	Interest income	(18.10)	(41.33)
	Excess provisions written back	(2.45)	(117.96)
	Loss of assets	1.47	0.09
	Provision for doubtful debts including discount	22.39	42.87
	Provision for obsolete inventory	2.60	2.33
	Provision for doubtful claims	0.14	0.43
	Provision For Abandoned Work- CWIP	-	-
	Remeasurement gains and loss on employee benefit obligations	-	-
	Finance costs	1,035.57	958.24
	Bad debts recovered	(0.01)	(0.03)
	Bad debts written off	0.01	6.71
	Operating profit before working capital changes	**286.79**	**(651.49)**
	Movement in working capital		
	Decrease/(Increase) in loans	(48.61)	(33.68)
	(Increase)/Decrease in inventories	1.96	1.44
	Increase in other financial assets	2,493.66	27.17
	Decrease in other assets	(12.35)	236.83
	Decrease/(Increase) in trade and other receivables	(270.60)	(20.56)
	Increase/(Decrease) in other financial liabilities	(2,556.72)	417.98
	(Decrease)/Increase in other liabilities	83.67	(12.02)
	Increase in provisions, trade and other payables	40.57	384.24
	Cash flow from operating activities post working capital changes	**18.38**	**344.91**
	Income tax refunds (net)	71.64	18.66
	Net cash flow from operating activities (A)	**90.03**	**363.57**
B	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Purchase of Property, plant and equipment, investment property and intangible assets (including capital work-in-progress) (net of sale proceeds)	(13.13)	(53.26)
	Movement in fixed deposits (net)	(23.56)	(1.87)
	Interest received	9.25	16.76
	Net cash flows used in investing activities (B)	**(27.44)**	**(38.33)**
C	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Proceeds and repayment of long-term borrowings (net)	269.45	533.98
	Proceeds and repayment of short-term borrowings (net)	430.76	51.16
	Finance cost paid	(798.14)	(900.33)
	Payment towards Lease Liability	(63.03)	(43.90)
	Net cash used in financing activities (C)	**(160.95)**	**(359.08)**
	Increase in cash and cash equivalents (A+B+C)	(98.37)	(33.84)
	Cash and cash equivalents at the begining of the year	196.60	119.58
	Cash and cash equivalents at the end of the year	**98.23**	**85.74**

Place : New Delhi

Date : 11.11.2020

SPMG & CO. New Delhi Chartered Accountants

For and on behalf of the Board

(P K Purwar)

Chairman & Managing Director

DIN No. 06619060

ANNEXURE – II (D)
UNAUDITED FINANCIALS
SEPTEMBER 30, 2020
STANDALONE

Annexure - III

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Govt. of India Enterprise)

Regd. Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003

Website: www.mtnl.net.in, Phone Off: 011-24319020, Fax: 011-24324243

CIN No: L32101DL1986GOI023501

STATEMENT OF STANDALONE UNAUDITED FINANCIAL RESULTS FOR THE HALF YEAR ENDED ON 30/09/2020

(Pursuant to Regulation 52 of the SEBI(Listing Obligations and Disclosure Requirements) Regulations 2015)

(Rs. in Crore)

Sl. No.	Particulars	6 months ended 30/09/2020	Corresponding 6 months ended 30/09/2019 in the previous year	Previous accounting year ended 31/03/2020
		UNAUDITED	UNAUDITED	AUDITED
I	Revenue from operations	673.33	781.67	1,536.36
II	Other Income	218.33	350.41	690.67
III	**Total Income (I +II)**	**891.66**	**1,132.08**	**2,227.03**
IV	**Expenses**			
	Purchases of Stock in Trade		-	
	License Fees & Spectrum Charges	64.57	73.00	159.18
	Employees' Remuneration and benefits	276.69	1,237.19	2,124.45
	Finance cost	1,035.51	958.24	1,941.54
	Revenue Sharing	37.10	54.03	90.14
	Depreciation and amortization expense	460.30	494.78	971.95
	Administrative Expenses	237.31	317.71	635.44
	Total Expenses (IV)	**2,111.47**	**3,134.92**	**5,922.70**
V	**Profits/(Loss) before exceptional items and tax(III-IV)**	**(1,219.81)**	**(2,002.84)**	**(3,695.68)**
VI	Exceptional Items	-	-	
VII	**Profit/ (Loss) before tax (V- VI)**	**(1,219.81)**	**(2,002.84)**	**(3,695.68)**
VIII	Tax expense:			
	(1) Current tax			
	(2) Deferred tax	-	-	
IX	**Profit/ (Loss) for the period from continuing operations (VII - VIII)**	**(1,219.81)**	**(2,002.84)**	**(3,695.68)**
X	Profit/ (Loss) from discontinued operations	-		
XI	Tax expense of discontinued operations	-	-	-
XII	Profit/ (Loss) from Discontinued Operations (after tax) (X-XI)	-	-	-
XIII	**Profit/ (Loss) for the period (IX + XII)**	**(1,219.81)**	**(2,002.84)**	**(3,695.68)**
XIV	Other Comprehensive Income	-	-	(115.32)
XV	**Total Comprehensive Income for the period (XIII + XIV)**	**(1,219.81)**	**(2,002.84)**	**(3,811.00)**
XVI				
	Earnings per equity Share of Rs.10 each for continuing operations: (not annualised)			
	(1) Basic	(19.36)	(31.79)	(58.66)
	(2) Diluted	(19.36)	(31.79)	(58.66)
XVII				
	Earnings per equity Share of Rs.10 each for discontinued operations:(not annualised)			
	(1) Basic			-
	(2) Diluted	-		
XVIII	Earnings per equity Share of Rs.10 each for discontinued & continuing operations: (not annualised)			
	(1) Basic	(19.36)	(31.79)	(58.66)
	(2) Diluted	(19.36)	(31.79)	(58.66)
XIX	Paid up equity share capital (Face value of Rs 10/- each)	630.00	630.00	630.00
XX	Paid up Debt Capital	2,980.00	2,980.00	2,980.00
XXI	Reserves excluding Revaluation Reserves as per balance sheet	-		(14,215.65)
XXII	Debenture Redemption Reserve	45.27	45.27	45.27
XXIII	Debt Equity Ratio	(1.15)	(1.18)	(1.23)
XXIV	Debt Service Coverage Ratio (DSCR)	(0.17)	(0.84)	(0.68)
XXV	Interest Service Coverage Ratio (ISCR)	(0.18)	(1.09)	(0.90)

Notes:

1 The above results have been reviewed and adopted by the Board of Directors of the Company in their meeting held on 11.11.2020

2 Paidup Debt Capital excludes NCDs issued to the tune of Rs.4533.97 Crores for which the liability to pay Interest & Principal is on Government

3 Debt Equity Ratio - (Long Term Borrowings + Short Term Loans + Current Maturity of Long Term Borrowings)/(Share Capital + Other Equity)

4 Debt Service Coverage Ratio (DSCR)= Earnings before Finance Cost and Tax (after exceptional items)/ (Finance Expense + Schedule Principal Repayment during the period)

5 Interest Service Coverage Ratio (ISCR)= Earnings before Finance Cost and Tax (after exceptional items)/ Finance Expense

For and on behalf of the Board

(P. K. Purwar)

Chairman & Managing Director

DIN: 06619060

SPMG & CO. New Delhi Chartered Accountants

Place : New Delhi

Date : 11.11.2020

Annexure IV

MAHANAGAR TELEPHONE NIGAM LIMITED

Regd. Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi 110003
Website: www.mtnl.net.in, Phone Off: 011 24319020, Fax: 011 24324243
CIN No: L32101DL1986GOI023501

STANDALONE UNAUDITED STATEMENT OF ASSETS AND LIABILITIES

(Rs. in Crore)

	Particulars	STANDALONE	
		As at 30.09.2020	As at 31.03.2020
		UNAUDITED	AUDITED
	ASSETS		
(1)	**Non-current assets**		
	(a) Property, Plant and Equipment	3,378.82	3,486.95
	(b) Capital work-in-progress	239.14	328.08
	(c) Right-of-Use Asset	475.37	503.16
	(d) Investment Property	31.26	31.42
	(e) Intangible assets	2,598.61	2,766.21
	(f) Financial Assets		
	(i) Investments	106.13	106.13
	(ii) Loans	265.34	202.34
	(iii) Others	1.14	0.63
	(g) Non Current Tax Asset	635.17	706.98
	(h) Other Non Current Assets	26.23	23.85
	Total non-current assets	**7,707.22**	**8,155.77**
(2)	**Current assets**		
	(a) Inventories	12.27	18.54
	(b) Financial Assets		
	(i) Trade Receivables	868.06	620.74
	(ii) Cash and cash equivalents	66.58	142.68
	(iii) Bank Balances other than (ii) above	11.67	13.02
	(iv) Loans	3,539.49	3,545.20
	(v) Other Financial Assets	997.68	3,492.91
	(c) Other current assets	641.74	631.32
	Total Current assets	**6,137.49**	**8,464.40**
(3)	**Asset held for sale**	**35.92**	**35.90**
	Total Assets (1+2+3)	**13,880.63**	**16,656.08**
	EQUITY AND LIABILITIES		
(1)	**Equity**		
	(a) Equity Share Capital	630.00	630.00
	(b) Other Equity	-15,435.56	-14,215.65
	Total Equity	**(14,805.56)**	**(13,585.65)**
	LIABILITIES		
(i)	**Non-Current Liabilities**		
	(a) Financial Liabilities		
	(i) Borrowings	12,581.17	12,554.15
	(ii) Lease Liabilities	201.72	221.09
	(iii) Other Financial Liabilities	213.56	199.97
	(b) Long Term Provisions	246.54	240.12
	(c) Other Non Current liabilities	108.70	120.62
	Total Non-Current Liabilities	**13,351.74**	**13,335.88**
(ii)	**Current Liabilities**		
	(a) Financial Liabilities		
	(i) Borrowings	9,727.18	9,296.42
	(ii) Lease liabilities	76.16	103.91
	(iii) Trade Payables		
	(A) total outstanding dues of micro enterprises and small enterprises	52.20	47.13
	(B) total outstanding dues of creditors other than micro enterprises and small enterprises	775.32	735.19
	(iv) Other Financial Liabilities	3,782.64	5,891.44
	(b) Other current liabilities	748.37	652.75
	(c) Short Term Provisions	172.57	179.07
	Total Current Liabilities	**15,334.45**	**16,905.84**
(2)	**Total Liabilities (i) + (ii)**	**28,686.18**	**30,241.72**
	Total Equity and Liabilities (1 + 2)	**13,880.62**	**16,656.08**

SPMG & CO.
New Delhi
Chartered Accountants

Place : New Delhi
Date : 11.11.2020

For and on behalf of the Board

(P. K. Purwar)
Chairman & Managing Director
DIN: 06619060

MAHANAGAR TELEPHONE NIGAM LIMITED

Unaudited Standalone Cash Flow Statement for the half year ended 30th September, 2020

(Rs. in crores)

		Half Year ended	
		30th Sept. 2020	30th Sept. 2019
A	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Profit/(Loss) before tax		
	Continuing operations	(1219.81)	(2002.84)
	Discontinued operations	-	-
		(1219.81)	**(2002.84)**
	Adjustments for:		
	Depreciation expense	292.70	326.68
	Amortisation expense	167.60	168.10
	Loss/ Gain on disposal of property, plant and equipment (Net)	0.08	0.32
	Dividend Income	0.00	(1.22)
	Interest income	(17.71)	(40.83)
	Excess provisions written back	(2.45)	(117.73)
	Provision for doubtful debts including discount	22.39	42.82
	Provision for obsolete inventory	2.60	2.33
	Provision for doubtful claims	0.10	0.34
	Loss of assets	1.47	0.09
	Remeasurement gains and loss on employee benefit obligations	0.00	0.00
	Finance costs	1035.51	958.24
	Bad debts recovered	(0.01)	(0.03)
	Bad debts written off	0.01	6.71
	Operating profit before working capital changes	**282.48**	**(657.00)**
	Movement in working capital		
	Decrease/(Increase) in loans	(48.56)	(33.59)
	(Increase)/Decrease in Inventories	2.20	2.21
	Increase in other financial assets	2,495.24	27.08
	Increase in other assets	(12.81)	238.42
	Decrease/(Increase) in trade and other receivables	(269.71)	(19.40)
	Increase/(Decrease) in other financial liabilities	(2561.34)	414.12
	(Decrease)/Increase in other liabilities	83.66	(11.38)
	Increase in provisions, trade and other payables	47.01	384.39
	Cash flow from operating activities post working capital changes	**18.18**	**344.85**
	Income tax (paid)/refunds (net)	71.81	18.14
	Net cash flow from operating activities (A)	**89.99**	**362.99**
B	**CASH FLOWS FROM INVESTING ACTIVITIES**		
	Purchase of Property, Plant and Equipment, Investment property and Intangible assets (including capital work-in-progress) (net of sale proceeds)	(14.96)	(47.37)
	Movement in fixed deposits (net)	0.84	(1.82)
	Dividend received	0.00	1.22
	Interest received	8.87	16.26
	Net cash flows used in investing activities (B)	**(5.25)**	**(31.71)**
C	**CASH FLOWS FROM FINANCING ACTIVITIES**		
	Proceeds and repayment from long-term borrowings (net)	269.45	533.98
	Proceeds and repayment of short-term borrowings (net)	430.76	51.16
	Finance cost paid	(798.14)	(900.33)
	Payment towards Lease Liability	(62.91)	(43.90)
	Net cash used in financing activities (C)	**(160.84)**	**(359.08)**
	Increase in cash and cash equivalents (A+B+C)	(76.10)	(27.80)
	Cash and cash equivalents at the begining of the year	142.68	74.85
	Cash and cash equivalents at the end of the year	**66.58**	**47.05**

Place : New Delhi
Date : 11.11.2020

SPMG & CO. New Delhi Chartered Accountants

For and on behalf of the Board

(P. K. Purwar)
Chairman & Managing Director
DIN: 06619060

ANNEXURE – III

(A) AUDIT REPORT FOR LAST 3 YEARS CONSOLIDATED

VINOD KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
4696, Brij Bhawan,
21A, Ansari Road, Darya Ganj
New Delhi – 110002
Phone : 011-23288101

KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
408, New Delhi House,
Barakhamba Road, Connaught Place
New Delhi – 110001
Phone : 011- 23314525/26, 45562649

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Mahanagar Telephone Nigam Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying Consolidatedfinancial statements of MAHANAGAR TELEPHONE NIGAM LIMITED ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint ventures and associates whichcomprise the Balance Sheet as at March 31, 2020, the ConsolidatedStatement of Profit and Loss (including Other Comprehensive Income), the ConsolidatedStatement of Changes in Equity and the ConsolidatedStatement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred toas"the Consolidated financialstatements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for Qualified Opinion Section of our report, the aforesaid Consolidated 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 consolidatedstate of affairs of the Company as at March 31, 2020, the ConsolidatedLossand Consolidated total comprehensive income, Consolidated changes in equity and its Consolidatedcash flows for the year ended on thatdate.

The Consolidated financial statements include the year to date financial results of the following entities:

(a) **List of Subsidiaries:**
- Mahanagar Telephone (Mauritius) Limited ('MTML') - Audited
- Millenium Telecom Limited - Audited

(b) **List of Joint Ventures:**
- MTNL STPI IT Services Limited ('MSISL') - Audited

(c) **List of Associates:**
- United Telecommunications Limited ('UTL')- Unaudited

Basis for Qualified Opinion

We conducted our audit of the Consolidated 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 Responsibilities for the Audit of the ConsolidatedFinancial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute ofChartered Accountantsof India(ICAI) together with the independence requirements that are relevant to our auditof the Consolidated 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 believethat the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on theconsolidated financialstatements.

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2020 as well as in the previous year and the current liabilities exceeded the current assets substantially.

Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.

However, the Consolidated Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note.

Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.(Also refer note no. 80 to the Consolidated Ind-AS financial statements)

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,504.10Croresis subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 67 to the ConsolidatedInd-AS financial statements).

b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 410.46 Crores is subject to reconciliation and confirmation. In view of non-reconciliation andnon-confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 72 to the Consolidated Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 83 to the Consolidated Ind-AS financial statements).

(v) The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the Consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 41 and 44 to the Consolidated Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 74 to the Consolidated Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 69 to the Consolidated Ind-AS financial statements).

(viii) Unlinked credit ofRs. 75.69Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 68 and 79 to the Consolidated Ind-AS financial statements).

(ix) Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

(x) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated Ind-AS financial statements cannot be ascertained and quantified.

(xi) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage and subsequently the same is withdrawn.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability till last year although no further demand is there from DOT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum allotted beyond 6.2 Mhz , directed Govt. to review the demand for spectrum allotted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was allotted before 1-1-2013. As explained , as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand , if any, cannot be more than Rs 455 crores the same is disclosed in contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial results of the Company. (Also refer note no. 63 to the consolidated Ind-AS financial statements).

(xii) The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions, on which Goods and Services Tax (GST) has not been paid. The actual impact of the same on the consolidated Ind-AS financial statements for year is not ascertained and quantified.

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (iii), (v), (vi), (vii),(viii), (ix), (x), (xi) and (xii) on the Consolidated Ind-AS financial statements of the Company for the year ended on 31st March 2020.

Emphasis of Matters

We draw attention to the following notes on the Consolidated Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Refer note no.65 to the Consolidated Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.

(ii) Point no. (a) of note no. 66 to the Consolidated Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 10, 16 and 19 to the Consolidated Ind-AS financial statements).

(iv) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the Consolidated Ind-AS financial statements and further explained in point no. (d) of Note no. 72 to the Consolidated Ind-AS financial statements.

(v) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(vi) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(vii) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

(viii) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the Consolidated Ind-AS financial statements.

(ix) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts. (Also refer clause no. (k) of note no. 3 to the Consolidated Ind-AS financial statements).

(x) In pursuance DoT letter No. F.No. 30-04/2019-PSU Affairs dt. 29 October, 2019 and decision of Board of Directors of MTNL through circular regulation on 4th November 2019, the MTNL Voluntary Retirement Scheme has been introduced with effect from 4th November 2019 under which 14,387 number of MTNL employees opted for VRS and the expenditure of ex-gratia on account of compensation to be borne by the DOT/Government of India through budgetary supports as per approval of cabinet. As such no provision of VRS compensation is considered in the FY 2019-2020. Balance amount payable to VRS opted employees as on 31 March 2020 is shown in the financial statements of the company as receivable from DOT and payable to VRS retirees, to reflect the actual position with reference to VRS scheme of 2019 of MTNL. (Also refer note no. 82 to the standalone Ind AS financial statements).

Our opinion is not modified in respect of these matters.

Material uncertainty related to going concern

We draw attention to Note no. 80in the consolidated financial statements, which indicates that the company has accumulated losses and its net worth has been fully/ substantially eroded, the company has incurred net loss/net cash loss during the current and previous year(s) and the company's current liabilities exceeded its current assets as at the balance date. These events or conditions, along with other matter as set forth in Note 80, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the basis of qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in ourreport.

Sr. No.	Key Audit Matter	How our audit Addressed the key Audit Matter
1	**Revenue Recognition:** There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) Refer Notes no. 61 to the Consolidated Ind-AS Financial Statements.	We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach including controls testing and substantive procedures covering in particular: Testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams. Testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing includes validating material journals processed between the billing system and general ledger. Performing tests on the accuracy of customer bill generation on sample basis and testing of a sample of the credits and discounts applied to customer bills: and testing receipts for a sample of customers back to customer invoice.
2	**Uncertain Taxation Matters:** The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes no. 54 and 65 to the Consolidated Ind-AS Financial Statements.	We have obtained details of completed tax assessments and demands up to March 31, 2020 from management. We assessedthe management's underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the company's own cases, in evaluating management's position on these uncertain tax positions.
4	**Contingent liabilities** There are number of litigations pending before various forums against the company and the management's judgement is required for estimating the amount to be disclosed as contingent liability. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgement in interpreting the cases and it may be subject to management bias. (Refer to note no. 54 of Consolidated Ind-AS Financial statements.)	We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures. - understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases; - discussed with the management any material developments and latest status of legal matters; - read various correspondences and related documents pertaining to litigation cases and relevant external legal opinions obtained by the management and performed substantive procedures on calculations supporting the

		disclosures of contingent liabilities; - examined management's judgements and assessment whether provisions are required; - considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote; - reviewed the adequacy and completeness of disclosures; Based on the above procedures performed, the estimation and disclosures of contingent liabilities are considered to be adequate and reasonable. (Refer to note no. 54 of the Consolidated Ind-AS financial statements).

Other Matters

We did not audit the financial statements/financial information of subsidiaries, jointly controlled entities and associates, whose financial statements/financial informationreflect total assets of Rs. 171.99 Crores and net assets of Rs. 142.03 Crores as at 31st March, 2020, total revenues of Rs. 91.24 Crores and net cash inflows amounting to Rs. 9.19 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net profit of Rs. 0.23 Crores for the year ended 31st March, 2020, as considered in the consolidated Ind-AS financial statements, in respect of one jointly controlled entities, whose financial statements/financial information have not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associate, and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, jointly controlled entities and associate, is based solely on the reports of the other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements/financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated Ind-AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report,but does not include the Consolidated financial statements and our auditor's reportthereon.

Our opinion on the consolidatedfinancial statements does not cover the other information and we do not express any form of assurance conclusionthereon.

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materiallyinconsistent with the Consolidatedfinancial statements or our knowledge obtained during the course of our audit or otherwise appears to be materiallymisstated.
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 thisregard.

Responsibilities of the Management and those charged with governance for the Consolidated Ind-AS FinancialStatements

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 Consolidated financial statements that give a true and fair view of the financial position, financial performance, total 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 Consolidatedfinancial statements that give a true and fair view and are free from material misstatement, whether due to fraud orerror.

In preparing the Consolidated 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 doso.

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

Auditor's Responsibilities for the Audit of the Consolidated Ind-AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ofusers taken on the basis of these Consolidated financialstatements.

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 Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that issufficient 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 internalcontrol.

- Obtain an understanding of internal financial controls 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 suchcontrols.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made bymanagement.

- 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 conditionsthat 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 Consolidated 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 maycausethe Company to cease to continue as a goingconcern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fairpresentation.

Materiality is the magnitude of misstatements in the Consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitativefactors 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 financial statements.

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

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, relatedsafeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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 suchcommunication.

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit we reportthat:

a) We have sought and obtained all the information and explanations which to thebestofourknowledgeand belief were necessary for the purposes of ouraudit.

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 thosebooks.

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books ofaccount.

d) In our opinion, the aforesaid Consolidated financial statements complywith the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules,2014.

e) Being the Government Company pursuant to the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of section 164 of the Act, are not applicable to the Company.

f) The going concern matter described in material uncertainty related to going concern paragraph above, in our opinion, may have an adverse effect on the functioning of the company.

g) 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 financialreporting.

h) As per the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 is not applicable to the Government Companies. Accordingly, reporting in accordance with requirement of provisions of section 197 (16) of the Act is not applicable on the Company.

i) 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 tous:

   a) The Company has disclosed the impact of pending litigations on its financial position in its consolidated financialstatements.
   b) 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.
   c) There has been no delay in transferring amounts, required to be transferred, to theInvestor Education and Protection Fund by theCompany.

For Vinod Kumar and Associates
Chartered Accountants
Firm Registration No.: 002304N

(CA Mukesh Dadhich)
Partner
Membership No.: 511741

UDIN: 20511741AAAAHK8253

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(CA Pawan Kumar Garg)
Partner
Membership No.: 097900

UDIN: 20097900AAAAAL2929

Place: New Delhi
Date: 22nd July, 2020

Annexure to The Independent Auditors' Report

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

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 **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2020 in conjunction with our audit of the Consolidated Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgment, including the assessment of the risks of material misstatement of the Consolidated Ind-AS 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 Consolidated Ind-AS 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 Consolidated Ind-AS financial statements in accordance with generally accepted accounting principles,

and that receipts and expenditures of the company are being made only in accordance with authorizations 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 Consolidated Ind-AS 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2020:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the Consolidated Ind-AS financial statements.. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing system does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2020, 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020Consolidated Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the Consolidated Ind-AS financial statements of the Company.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

(CA Mukesh Dadhich)
Partner
Membership No.: 511741

UDIN: 20511741AAAAHK8253

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(CA Pawan Kumar Garg)
Partner
Membership No.: 097900

UDIN: 20097900AAAAAL2929

Place: New Delhi
Date: 22nd July, 2020

MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
505, Chiranjiv Tower,
43 Nehru Place,
New Delhi -110019
Phone : 011-26419527, 26430349
Fax : 011-26217981
www.mehragoelco.com

KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
408, New Delhi House,
Barakhamba Road, Connaught Place
New Delhi – 110001
Phone : 011- 23314525/26. 45562649
dcsvkg@gmail.com

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Mahanagar Telephone Nigam Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying Consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint ventures and associates which comprise the Balance Sheet as at March 31, 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for Qualified Opinion Section of our report, the aforesaid Consolidated 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 consolidated state of affairs of the Company as at March 31, 2019, the Consolidated profit and Consolidated total comprehensive income. Consolidated changes in equity and its Consolidated cash flows for the year ended on that date.

The Consolidated financial statements include the year to date financial results of the following entities:

(a) **List of Subsidiaries:**
- Mahanagar Telephone (Mauritius) Limited ('MTML') - Audited
- Millenium Telecom Limited - Audited
- MTML International Limited (subsidiary of MTML) - Audited
- MTML Data Limited (subsidiary of MTML) - Audited

(b) **List of Joint Ventures:**
- MTNL STPI IT Services Limited ('MSISL') - Audited

(c) **List of Associates:**
- United Telecommunications Limited ('UTL') - Unaudited

Basis for Qualified Opinion

We conducted our audit of the Consolidated 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 Responsibilities for the Audit of the Consolidated 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 independence requirements that are relevant to our audit of the Consolidated financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially.

Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. 1/3000697/ 2017 through file no. 19-17/2017 – SU-II.

However, the Consolidated Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 81 to the Consolidated Ind-AS financial statements)

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,352.67 Crores out of which Rs. 2,505.46 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the Consolidated Ind-AS financial statements).

b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,69.34 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the Consolidated Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 84 to the Consolidated Ind-AS financial statements).

(v) The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the Consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 40 and 42 to the Consolidated Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

Mehra & Co. New Delhi Chartered Accountants uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year. accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 75 to the Consolidated Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the Consolidated Ind-AS financial statements).

(viii) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on Consolidated Ind-AS financial statements cannot be ascertained and quantified at present.

(b) Unlinked credit of Rs. 51.04 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 69 and 80 to the Consolidated Ind-AS financial statements).

(ix) Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

(x) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated Ind-AS financial statements cannot be ascertained and quantified.

(xi) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the Consolidated Ind-AS financial statements of the Company. (Also refer note no. 63 to the Consolidated Ind-AS financial statements).

(xii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the Consolidated Ind-AS financial statements. (Also refer note no. 82 to the Consolidated Ind-AS financial statements).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (iii), (v), (vi), (vii),(viii)(a), (ix), (x), (xi) and (xii) on the Consolidated Ind-AS financial statements of the Company for the year ended on 31st March 2019.

Emphasis of Matters

We draw attention to the following notes on the Consolidated Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Impairment in the value of investments in subsidiary, joint ventures, and associates are considered temporary in nature by management and no provision for impairment in value of these investments has been done.

(ii) Refer note no. 66 to the Consolidated Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961.

(iii) Point no. (a) of note no. 67 to the Consolidated Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iv) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 16 and 19 to the Consolidated Ind-AS financial statements).

(v) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the Consolidated Ind-AS financial statements.

(vi) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the Consolidated Ind-AS financial statements and further explained in point no. (d) of Note no. 73 to the Consolidated Ind-AS financial statements.

(vii) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(viii) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(ix) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

(x) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the Consolidated Ind-AS financial statements.

(xi) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts. (Also refer clause no. (k) of note no. 3 to the Consolidated Ind-AS financial statements).

Our opinion is not modified in respect of these matters.

Material uncertainty related to going concern

We draw attention to Note no. 81 in the consolidated financial statements, which indicates that the company has accumulated losses and its net worth has been fully/ substantially eroded, the company has incurred net loss/net cash loss during the current and previous year(s) and the company's current liabilities exceeded its current assets as at the balance date. These events or conditions, along with other matter as set forth in Note 76, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the basis of qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

S.No.	Key Audit Matter	How our audit Addressed the key Audit Matter
1	**Material Uncertainty relating to Going Concern:** There is use of Going Concern Assumption basis of accounting in consolidated financial statement but a material uncertainty exists.	We have analyzed the management projection are submitted to Department Of Telecom (DOT). We received the expected revenue and corresponding expenses, EBITDA and other expected Capex expenditure outflows.(Refer note no. 81)

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

2	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard) There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) The application of the new revenue accounting standard is complex and involves a number of key judgements and estimates. Additionally, new revenue accounting standard contains disclosures which involve collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. Refer Notes no. 61 to the Consolidated Ind-AS Financial Statements.	We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach including controls testing and substantive procedures covering in particular: Testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams. Testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing includes validating material journals processed between the billing system and general ledger. Performing tests on the accuracy of customer bill generation on sample basis and testing of a sample of the credits and discounts applied to customer bills: and Testing receipts for a sample of customers back to customer invoice.
3	Accuracy of revenues and onerous obligations in respect of fixed price contracts involves critical estimates. Estimated effort is a critical estimate to determine revenues and liability for onerous obligations. This estimate has a high inherent uncertainty as it requires consideration of progress of the contract, efforts incurred till date and efforts required to complete the remaining contract performance obligations. Refer Notes no. 61 to the Consolidated Ind-AS Financial Statements	Our audit approach was a combination of test of internal controls and substantive procedures which included the following: Evaluated the design of internal controls relating to recording of efforts incurred and estimation of efforts required to complete the performance obligations. Tested the access and application controls pertaining to time recording, allocation and budgeting systems which prevents unauthorized changes to recording of efforts incurred. Selected a sample of contracts and through inspection of evidence of performance of these controls, tested the operating effectiveness of the internal controls relating to efforts incurred and estimated. Selected a sample of contracts and performed a retrospective review of efforts incurred with estimated efforts to identify significant variations and verify whether those variations have been considered in estimating the remaining efforts to complete the contract. Reviewed a sample of contracts with unbilled

		revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts.
4	**Uncertain Taxation Matters:** The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes no. 53 and 66 to the Consolidated Ind-AS Financial Statements.	We have obtained details of completed tax assessments and demands up to March 31, 2019 from management. We assessed the management's underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the company's own cases, in evaluating management's position on these uncertain tax positions.
5	**Recoverability of Indirect Tax Receivables:** As at March 31, 2019, non-current assets in respect of indirect tax and others include Cenvat recoverable amounting to INR 153.5 crores which are pending adjudication. Refer Note no 12 and 21 to the Consolidated Ind-AS Financial Statements.	**Principal Audit Procedures:** We have assessed and reviewed the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution.
6	**Impairment Loss:** For the CGUs the determination of recoverable amount being the higher of fair value less costs to sell and value –in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management 's view of variables such as future average revenue per user, average customer numbers and customers churn, timing and approval of future capital , spectrum and obtaining expenditure and the most appropriate discount rate. Refer to Note no. 75 of Consolidated Ind-AS Financial statements.	We evaluated the appropriateness of management's identification of the groups CGUs and testing the impairment assessment process, including indicators of impairment. We analyzed key assumptions in management's valuation model used to determine recoverable amount including assumptions of project adjusted EBITDA projected capital expenditure, projected license and spectrum payments, long term growth rates and discount rates. We compared historical forecasting to actual results and We performed testing of the mathematical accuracy of the cash flow and analyzed key assumptions. Based on our procedures we consider management's key assumptions to be within a reasonable range. We validated the appropriateness of the related disclosures in note no. 70 of the

New Delhi

NEW DELHI

		Consolidated Ind- AS financial statements.
7	**Discontinued Operations and Assets Held for Sale:** Assests of CDMA continues to be treated as held for sale and discontinued operations as at the balance sheet date. Refer to note no. 56 of Consolidated Ind-AS Financial statements.	We analyzed in management's estimates of, the releasable value. Based on our procedures, we noted no exceptions and consider management's approach and assumptions to be reasonable.
8	The Company holds investments comprising investments in Associates, Joint Ventures and subsidiaries of Rs 106.13 Crores Investments in Associates, Joint Ventures and subsidiaries accounted forat cost less any provision for impairment Investments are tested for impairment annually. If impairment exists, the recoverable amounts of the investment in Associates, Joint Ventures sand subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognized in the income statement. Refer to Note no.8 of Consolidated Ind-AS Financial statements.	We assessed the net assets values of the investments as at 31 March 2019 with the Company's investment carrying values. As a result of our work, we agreed with management that the carrying values of the investments held by the Company are supportable in the context of the Company financial statements taken as a whole.
9	**Deferred Tax Assets:** - significant judgement is required in relation to the recognition and recoverability of deferred tax assets, Refer to note no. 43 of Consolidated Ind-AS Financial statements.	In respect of the deferred tax assets, we analyzed to assess the recoverability of losses from a tax perspective through performing the following: Understanding how losses arose and where they are located, including to which subgroups they are attributed. Considering whether the losses can be reversed based on the ability to generate profits in excess of past losses; Comparing historical forecasting to actual results; Considering the impact of recent regulatory developments, as applicable; Assessing any restrictions on future use of losses; and Determining whether any of the losses will expire. In addition, we assessed the application of Ind-AS 12 – Income Taxes including: Understanding the triggers for recognition of deferred tax assets; Considering the effects of tax planning strategies; Testing the mathematical accuracy of the cash flow models and challenging and

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

		agreeing the key assumptions in the management plan and likelihood of generating future taxable profits to support the recoverability of the deferred tax asset. We also reviewed the disclosures made in respect of the utilization period of deferred tax assets. Refer to note no. 40 of Consolidated Ind-AS Financial statements.
10	**Provisions and contingent liabilities** There are a number of **legal, regulatory and** tax cases against the Group. High level of judgement is required in estimating the level of provisioning required. Refer to note no. 52 of Consolidated Ind-AS Financial statements.	We analyzed the current status of the tax cases. For legal, regulatory and tax matters our procedures included the following: Testing key controls over litigation, regulatory and tax procedures; Performing substantive procedures on the underlying calculations supporting the provisions recorded; Where relevant, reading external legal opinions obtained by management; Meeting with regional and local management and reading relevant Group correspondence; Discussing open matters with the Group litigation, regulatory, general counsel and tax teams; Assessing management's conclusions through understanding precedents set in similar cases; and Circularization where appropriate of relevant third party legal representatives and direct discussion with them regarding certain material cases. Based on the evidence obtained, and the related disclosures in note no. 48 of the Consolidated Ind-AS financial statements, conclude that the disclosure was sufficient.

Other Matters

We did not audit the financial statements/financial information of subsidiaries, jointly controlled entities and associates, whose financial statements/financial information reflect total assets of Rs. 166.90 Crores and net assets of Rs. 145.35 Crores as at 31st March, 2019, total revenues of Rs. 116.12 Crores and net cash inflows amounting to Rs. 6.23 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net profit of Rs. 4.05 Crores for the year ended 31st March, 2019, as considered in the consolidated Ind-AS financial statements, in respect of one jointly controlled entities, whose financial statements/financial information have not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associate, and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, jointly controlled entities and associate, is based solely on the reports of the other auditors.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements/financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated Ind-AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report, but does not include the Consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated 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.

Responsibilities of the Management and those charged with governance for the Consolidated Ind-AS 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 Consolidated financial statements that give a true and fair view of the financial position, financial performance, total 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 Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated 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.

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

Auditor's Responsibilities for the Audit of the Consolidated Ind-AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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

New Delhi

NEW DELHI

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 Consolidated 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 Consolidated 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 controls 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 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 Consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the 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 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 consolidated 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.

New Delhi Chartered Accountants

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Report on Other Legal and Regulatory Requirements

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 Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid Consolidated financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

f) The going concern matter described in material uncertainty related to going concern paragraph above, in our opinion, may have an adverse effect on the functioning of the company.

g) 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 B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

h) 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 according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 read with the schedule V of the Companies Act 2013.the remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The ministry of corporate affairs has not prescribed other details under section 197 (16) which are required to comment upon by us.

i) 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:

  a) The Company has disclosed the impact of pending litigations on its financial position in its consolidated financial statements.
  b) 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.
  c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Consolidated Ind-AS Financial Statements for the year ended 31st March 2019.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Consolidated) for the year 2018-19 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

Sr. No.	Areas Examined	Observation / Finding
1	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under : **DELHI UNIT** The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold. **MUMBAI UNIT** The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.
2	Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.	The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under: **Particulars** — **(Rs. in Crores)** Write off of debts Due to non recoverability (Refer note no. 39) — 18.32 Waiver of penalty & interest — Nil **TOTAL** — 18.32
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	There are no inventories lying with third parties. The Company has not received any assets as gifts from Government or other authorities during the year.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

4	Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.	The details have been verified by us.
5	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, Majority of the accounting transactions are done through the IT system. Although manual intervention is prevalent. Adequate security measures for manual intervention need to be strengthened with supervisory sanction only and properly documented.
6	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by lender to a company due to the company's inability to repay the loan? If yes. the financial impact may be stated.	As certified by the management and those charged with governance, we have been informed that there is no restructuring of loan/ wavier/ write off of debts/ loan/ interest during the 2018-19.
7	Whether funds received/ receivable from the specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the case of deviation.	Yes, Company received the Swachh Action Plan contribution during 2018-19 Rs.56.39Lakh out of which Rs.32.72Lakh is pending utilization with the company.
8	Whether the amount of revenue of share (License fees and Spectrum Usage charges) recognized in the financial statement in accordance with the DoT? If so, detailed statement & calculation sheet may be attached	Yes, AGR Audit Report will be provided separately

We have conducted of the audit of accounts of Mahanagar Telephone Nigam Limited for the year ended 2018-19 in accordance with the directions issued by the C&AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with the all directions issued to us.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

Annexure - B

Annexure to The Independent Auditors' Report

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

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 **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2019 in conjunction with our audit of the Consolidated Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgment, including the assessment of the risks of material misstatement of the Consolidated Ind-AS 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 Consolidated Ind-AS 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 Consolidated Ind-AS financial statements in accordance with generally accepted accounting principles,

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

and that receipts and expenditures of the company are being made only in accordance with authorizations 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 Consolidated Ind-AS 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2019:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the Consolidated Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing system does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 Consolidated Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the Consolidated Ind-AS financial statements of the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

NEW DELHI
MEHRA GOEL & CO. CHARTERED ACCOUNTANTS

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

New Delhi
Kumar Vijay Gupta & Co. Chartered Accountants

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
505, Chiranjiv Tower,
43 Nehru Place,
New Delhi -110019
Phone : 011-26419527, 26430349
Fax : 011-26217981
www.mehragoelco.com

KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
409, New Delhi House,
Barakhamba Road, Connaught Place
New Delhi – 110001
Phone : 011-23314525/26, 45562649
dcsvkg@gmail.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Consolidated Ind-AS Financial Statements

We have audited the accompanying consolidated Ind-AS financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates and its jointly controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statements of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flows Statement and consolidated Statements of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred as "the consolidated Ind-AS Financial Statement").

Management's Responsibility for the Consolidated Ind-AS financial statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind-AS financial statements in terms of requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and consolidated statement of changes in equity of the Group including its associates and jointly controlled entities in accordance with accounting principles generally accepted in India; including the Indian Accounting Standards prescribed under section 133 of the Act.

The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its associates and its jointly controlled entities and for preventing and detecting frauds and other irregularities; the 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 controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind-AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of consolidated Ind-AS financial statements by the Directors of the Holding Company, as aforesaid.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind-AS financial statements based on our audit. While conducting the 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 there under.

We conducted our audit 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 consolidated Ind-AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind-AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of consolidated Ind-AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated 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 Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind-AS financial statements.

We believe that the audit evidence obtained by us and audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind-AS financial statements.

Basis for Qualified Opinion

We draw your attention to the following qualifications on consolidated Ind-AS financial statements being qualifications of the Holding Company requiring basis of qualified opinion by us:

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 as well as in the previous year and the current liabilities exceeded the current assets substantially.

Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.

However, the consolidated Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 81 to the consolidated Ind-AS financial statements)

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the consolidated Ind-AS financial statements)

b) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements.

c) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 115.61 Crores has not been carried forward or Ineligible credits amounting to Rs. 50.26 Crores excessively carried forward to TRANS-I under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

d) The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,465.41 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the consolidated Ind-AS financial statements).

MEHRA GOEL & CO. ACCOUNTANTS

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 63 to the consolidated Ind-AS financial statements).

(v) The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the consolidated Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 75 to the consolidated Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the consolidated Ind-AS financial statements).

(viii) Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(ix) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated Ind-AS financial statements cannot be ascertained and quantified at present.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(b) Unlinked credit of Rs. 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 69 and 80 to the consolidated Ind-AS financial statements).

(x) Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department In respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

(xi) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(xii) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the consolidated Ind-AS financial statements of the Company. (Also refer note no. 62 to the consolidated Ind-AS financial statements).

(xiii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 82 to the consolidated Ind-AS financial statements).

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(xiv) During the year, the Company has booked an income amounting to Rs. 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 83 to the consolidated Ind-AS financial statements).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) on the consolidated Ind-AS financial statements of the Company for the year ended on 31st March 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and jointly controlled entities, the aforesaid consolidated Ind-AS financial statements give the information required by the Act in the manner so required and except for the effects of the matter referred to in the basis for Qualified Opinion paragraph above, give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (financial position) of the Group, its associates and jointly controlled entities as at 31st march, 2018, and their consolidated loss (financial performance including other comprehensive income), their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters on the consolidated Ind-AS financial statements being matters pertaining to Holding Company requiring emphasis by us:

(i) Refer note no. 66 to the consolidated Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.

(ii) Point no. (a) of note no. 67 to the consolidated Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no. 16 to the consolidated Ind-AS financial statements).

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(iv) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 16 and 19 to the consolidated Ind-AS financial statements).

(v) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the consolidated Ind-AS financial statements.

(vi) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the consolidated Ind-AS financial statements and further explained in point no. (d) of Note no. 73 to the consolidated Ind-AS financial statements.

(vii) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(viii) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(ix) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

Our opinion is not modified in respect of these matters.

Other Matters

(a) We did not audit the financial statements of one subsidiary and one jointly controlled entity, whose financial statements reflect total assets of Rs. 12.55 Crores and net assets of Rs. 4.62 Crores as at 31st March, 2018, total revenues of Rs. 6.99 Crores and net cash inflows amounting to Rs. 4.11 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net profit of Rs. 0.84 Crores for the year ended 31st March, 2018, as considered in the consolidated Ind-AS financial statements, in respect of one jointly controlled entity, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and jointly controlled entity,

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and jointly controlled entity, is based solely on the reports of the other auditors.

(b) We did not audit the financial statements / financial information of subsidiary and associate whose financial statements / financial information reflect total assets of Rs. 168.11 Crores and net assets of Rs. 19.59 Crores as at 31st March, 2018, total revenue of Rs. 96.50 Crores and net cash inflows amounting to Rs. 7.21 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net loss of Rs. 16.50 Crores for the year ended 31st March, 2018, as considered in the consolidated Ind-AS financial statements, in respect of one associate, whose financial statements / financial information have not been audited by us. These financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and associate, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary and associate, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

Our opinion above on the consolidated Ind-AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, associates and jointly controlled entities, as noted in the 'other matter' paragraph, we report, to the extent applicable, 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 of the aforesaid consolidated Ind-AS financial statements, except for the possible effect of matter described in points no. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis of Qualified Opinion given above.

(b) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind-AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flows Statement and consolidated Statement of Change in Equity dealt with by this Report are in agreement with relevant books of account maintained for the purpose of preparation of the consolidated Ind-AS financial statements.

MEHRA GOEL & CO. NEW DELHI

(d) In our opinion and based on our comments in point no. (i), (ii)(c), (iv), (v), (vi), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis for Qualified Opinion given above, the aforesaid consolidated Ind-AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act except for Ind-As – 1 regarding Presentation of Financial Statements, Ind-AS – 16 regarding Property, Plant and Equipment, Ind-AS – 17 regarding Leases, Ind-AS – 18 regarding Revenue, Ind-AS – 36 regarding Impairment of Assets and Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets;

(e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, Government Companies are exempt from the applicability of sub-section 2 of Section 164 of the Act.

(f) With respect to the adequacy of internal financial controls over financial reporting of the Holding Company, its subsidiary company and jointly controlled entities incorporated in India and the operating effectiveness of such controls, refer to our separate report in "Annexure A".

(g) With respect to the other matters to be included in the Auditors 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 and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates and jointly controlled entities, as noted in the 'Other matter' paragraph:

i. The consolidated Ind-AS financial statements have disclosed the impact of pending litigations, wherever quantifiable, on the consolidated financial position of the Group, its associates and jointly controlled entities. Refer Note no. 52 to the consolidated Ind-AS financial statements.

ii. The Group, its associates and its jointly controlled entities are not required to make any provision for any material foreseeable losses under any law or accounting standards on long terms contracts. Also the Group, its associates and its jointly controlled entities are not dealing into derivatives contracts. Refer Note no. 79 to the consolidated Ind-AS financial statements.

iii. there are no amounts which are required to be transferred to the Investor, Education and Protection Fund by the Holding Company and its subsidiary company, and jointly controlled entities incorporated in India during the year ended 31st March, 2018. Refer Note No. 78 to the consolidated Ind-AS financial statements.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

Nikhil Agrawal

(Nikhil Agrawal)
Partner
Membership No.: 419806

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure - 'A' to the Independent Auditor's Report

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

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

In conjunction with our audit of the consolidated Ind-AS financial statements of the Company as of and for the year ended 31st March, 2018, we have audited the internal financial controls over financial reporting of **Mahanagar Telephone Nigam Limited** (hereinafter referred to as "the Holding Company") and its subsidiary company and jointly controlled company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company's and its subsidiary company and jointly controlled company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company and its subsidiary company and jointly controlled company which are incorporated in India 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 ('ICAI'). 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 respective 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.

Auditors' 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 ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

judgment, 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 and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, 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 authorizations 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Holding Company's internal financial controls over financial reporting as at 31st March, 2018:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing system does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Holding Company, its Subsidiary Company and its jointly controlled company, which are companies incorporated in India, have, 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 of 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 consolidated Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the consolidated Ind-AS financial statements of the Company.

Other Matters

Our report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company and one jointly controlled companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

Nikhil Agrawal

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No.: 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

ANNEXURE – III

(B) AUDIT REPORT FOR LAST 3 YEARS STANDALONE

VINOD KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
4696, Brij Bhawan,
21A, Ansari Road, Darya Ganj
New Delhi – 110002
Phone : 011-23288101

KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
408, New Delhi House,
Barakhamba Road, Connaught Place
New Delhi – 110001
Phone : 011- 23314525/26, 45562649

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Mahanagar Telephone Nigam Limited

Report on the Audit of the Standalone Ind- AS Financial Statements

Qualified Opinion

We have audited the accompanying standalone Ind-AS financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred toas"the standalone financialstatements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for Qualified Opinion Section of our report, 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, the Loss and total comprehensive income, changes in equity and its cash flows for the year ended on thatdate.

Basis for Qualified 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 Responsibilities for the Audit of the Standalone Ind AS 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 independence requirements that are relevant to our audit of the standalone Ind AS financial statements under the provisions of the Act and the Rules made there under, 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financialstatements.

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2020 as well as in the previous year and the current liabilities exceeded the current assets substantially.

Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.

However, the standalone Ind AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note.

Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL. (Also refer note no. 76 to the standalone Ind-AS financial statements)

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,504.10Crores is subject to reconciliation and confirmation. In view of non reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements).

b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward and ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 410.46 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 79 to the standalone Ind-AS financial statements).

(v) The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 38, 39 and 41 to the standalone Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).

VINOD KUMAR & ASSOCITES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA Chartered Accountants New Delhi

(viii) Unlinked credit of Rs. 75.69 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).

(ix) Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

(x) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS financial statements cannot be ascertained and quantified.

(xi) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage and subsequently the same is withdrawn.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability till last year although no further demand is there from DOT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum alloted beyond 6.2 Mhz, directed Govt. to review the demand for spectrum allotted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was allotted before 1-1-2013. As explained, as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand, if any, cannot be more than Rs 455 crores the same is disclosed in contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial results of the Company. (Also refer note no. 59 to the standalone Ind-AS financial statements).

(xii) The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions, on which Goods and Services Tax (GST) has not been paid. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified.

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (iii), (v), (vi), (vii),(viii), (ix), (x), (xi) and (xii) on the standalone Ind-AS financial statements of the Company for the year ended on 31st March 2020.

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

Emphasis of Matters

We draw attention to the following notes on the standalone Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Refer note no. 61 to the standalone Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961.

(ii) Point no. (a) of note no. 62 to the standalone Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 10, 15 and 18 to the standalone Ind-AS financial statements).

(iv) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the standalone Ind-AS financial statements and further explained in point no. (d) of Note no. 68 to the standalone Ind-AS financial statements.

(v) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(vi) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(vii) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

(viii) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements.

(ix) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).

(x) In pursuance DoT letter No. F.No. 30-04/2019-PSU Affairs dt. 29 October, 2019 and decision of Board of Directors of MTNL through circular regulation on 4th November 2019, the MTNL Voluntary Retirement Scheme has been introduced with effect from 4th November 2019 under which 14,387 number of MTNL employees opted for VRS and the expenditure of ex-gratia on account of compensation to be borne by the DOT/Government of India through budgetary supports as per approval of cabinet. As such no provision of VRS compensation is considered in the FY 2019-2020. Balance amount payable to VRS opted employees as on 31 March 2020 is shown in the financial statements of the company as receivable from DOT and payable to VRS retirees, to reflect

VINOD KUMAR & ASSOCITES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA Chartered Accountants

the actual position with reference to VRS scheme of 2019 of MTNL. (Also refer note no. 78 to the standalone Ind AS financial statements).

Our opinion is not modified in respect of these matters.

Material uncertainty related to going concern

We draw attention to Note no. 76 in the financial statements, which indicates that the company has accumulated losses and its net worth has been fully/ substantially eroded, the company has incurred net loss/net cash loss during the current and previous year(s) and the company's current liabilities exceeded its current assets as at the balance date. These events or conditions, along with other matter as set forth in Note 76, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

Our opinion is not modified in respect of this matter.

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.

In addition to the matters described in the basis of qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in ourreport.

Sr. No.	Key Audit Matter	How our audit Addressed the key Audit Matter
1	**Revenue Recognition:** There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) Refer Notes no. 57 to the Standalone Ind-AS Financial Statements.	We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach including controls testing and substantive procedures covering in particular: Testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams. Testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing includes validating material journals processed between the billing system and general ledger. Performing tests on the accuracy of customer bill generation on sample basis and testing of a sample of the credits and discounts applied to customer bills: and testing receipts for a sample of customers back to customer invoice.

2	**Uncertain Taxation Matters:** The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes no. 50 and 61 to the Standalone Ind-AS Financial Statements.	We have obtained details of completed tax assessments and demands up to March 31, 2020 from management. We assessedthe management's underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the company's own cases, in evaluating management's position on these uncertain tax positions.
3	The Company holds investments comprising investments in Associates, Joint Ventures and subsidiaries of Rs 106.13 Crores . Investments in Associates, Joint Ventures and subsidiaries accounted forat cost less any provision for impairment Investments are tested for impairment annually. If impairment exists, the recoverable amounts of the investment in Associates, Joint Ventures and subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognized in the income statement. Refer to Note no.9 of standalone Ind-AS Financial statements.	We assessed the net assets values of the investments as at 31 March 2020 with the Company's investment carrying values. As a result of our work, we agreed with management that the carrying values of the investments held by the Company are supportable in the context of the Company financial statements taken as a whole.
4	**Contingent liabilities** There are number of litigations pending before various forums against the company and the management's judgement is required for estimating the amount to be disclosed as contingent liability. We identified this as a key audit matter because the estimates on which these amounts are based involve a significant degree of management judgement in interpreting the cases and it may be subject to management bias. (Refer to note no. 50 of standalone Ind-AS Financial statements.)	We have obtained an understanding of the Company's internal instructions and procedures in respect of estimation and disclosure of contingent liabilities and adopted the following audit procedures. - understood and tested the design and operating effectiveness of controls as established by the management for obtaining all relevant information for pending litigation cases; - discussed with the management any material developments and latest status of legal matters; - read various correspondences and related documents pertaining to litigation cases and relevant external legal opinions obtained by the management and performed substantive procedures on calculations supporting the disclosures of contingent liabilities; - examined management's judgements and assessment whether provisions are required; - considered the management assessments of those matters that are not disclosed as the probability of material outflow is considered to be remote;

VINOD KUMAR & ASSOCIATES ★Chartered Accountants★ New Delhi

KUMAR VIJAY GUPTA & CO. Chartered Accountants ★New Delhi★

		- reviewed the adequacy and completeness of disclosures; Based on the above procedures performed, the estimation and disclosures of contingent liabilities are considered to be adequate and reasonable. (Refer to note no. 50 of the Standalone Ind-AS financial statements).

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report,but does not include the standalone financial statements and our auditor's reportthereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusionthereon.

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 materiallyinconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materiallymisstated.
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 thisregard.

Responsibilities of the Management and those charged with governance for the Standalone Ind-AS FinancialStatements

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, total 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud orerror.

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 doso.

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

Auditor's Responsibilities for the Audit of the Standalone Ind-AS 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 financialstatements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

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 issufficient 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 internalcontrol.

- Obtain an understanding of internal financial controls 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 suchcontrols.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made bymanagement.

- 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 goingconcern.

- 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 fairpresentation.

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 financial statements may be influenced. We consider quantitative materiality and qualitativefactors in (i) planningthe 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 financial statements.

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

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, relatedsafeguards.

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 suchcommunication.

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 term of sub section (11) of section 143 of the Companies Act 2013, we give in the ''Annexure A'' a statement on the matters specified in paragraph 3 and 4 of the Order , to the extent applicable.
2. As required by section 143(5) of the Act, we give in "Annexure B" a statement on the matters specified by the Comptroller and Auditor General of India for the Company.

3. As required by Section 143(3) of the Act, based on our audit we reportthat:

   a) We have sought and obtained all the information and explanations which to thebestofourknowledgeand belief were necessary for the purposes of ouraudit.

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

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 thosebooks.

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books ofaccount.

d) In our opinion, the aforesaid standalone financial statements complywith the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules,2014.

e) Being the Government Company pursuant to the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, provisions of sub-section (2) of section 164 of the Act, are not applicable to the Company.

f) The going concern matter described in material uncertainty related to going concern paragraph above, in our opinion, may have an adverse effect on the functioning of the company.

g) 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 C". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financialreporting.

h) As per the Notification No. GSR 463(E) dated 5 June 2015 issued by the Ministry of Corporate Affairs, Government of India, Section 197 is not applicable to the Government Companies. Accordingly, reporting in accordance with requirement of provisions of section 197 (16) of the Act is not applicable on the Company.

i) 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 tous:

   i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financialstatements.

   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 theCompany.

For Vinod Kumar and Associates
Chartered Accountants

Firm Registration No.: 002304N

(CA Mukesh Dadhich)
Partner
Membership No.: 511741
UDIN: 20511741AAAAHJ3366

For Kumar Vijay Gupta & Co.
Chartered Accountants

Firm Registration No.: 007814N

(CA Pawan Kumar Garg)
Partner
Membership No.: 097900
UDIN:20097900AAAAAK3575

Place: New Delhi
Date: 22nd July, 2020

Annexure to the Independent Auditors' Report

Referred to in our Independent Auditor's Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March, 2020.

(i) (a) Delhi unit (Both basic and Wireless) has maintained records of fixed assets. However identification numbers and location of the Fixed Assets are not mentioned. It has been noticed that records of the Estates Department in respect of land and building do not match with the records as per financial books.

In case of Mumbai units (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai units are not updated and reconciled with the financial records. Also identification numbers and location of Fixed Assets are not mentioned.

Corporate office has maintained fixed assets records, however identification numbers and location of Fixed Assets are not mentioned.

(b) As per the accounting policy of the Company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. Due to Covid-19 pandemic and lockdown, no physical verification of fixed assets was conducted by the management during the year ended on March 31, 2020. However all discrepancies noticed in earlier physical verification has been accounted for as certified by the management. The accuracy, reliability and completeness of the fixed assets verification procedure could not be verified by us.

(c) Title deeds of some of the immovable properties recorded in the books of the Company are in the name of Govt. of India, P&T and President of India, since the operation of Delhi & Mumbai of Department of Telecom was converted as MTNL. Details of such properties are given hereunder:

		(Amounts in Rs. Crores)
PARTICULARS	**DELHI UNIT**	**MUMBAI UNIT**
Free Hold Land		
- Total Number of Cases	1	23#
- Gross Block	0.06	4.15
Lease Hold Land/Right of Use		
- Total Number of Cases	89*	12#
- Gross Block	219.53	2.65
- Net Block	143.17	1.72
Building		
- Total Number of Cases	53**	2##
- Gross Block	32.37	1.53
- Net Block	1.83	0.71

In respect of Delhi Units:

* In respect of 43 cases out of 89 where the lease hold land acquired from DOT have been capitalized by MTNL and no data is available in respect of depreciation and net WDV of such assets as the same is not identifiable from the fixed assets register.

** No information is available in respect of lease hold buildings allotted by the various govt. authorities to MTNL but the same has been capitalized by MTNL and due to non availability of information, the aforesaid cases has not been included in the above details.

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

In respect of Mumbai Units:

\# In respect of 12 cases where the possession of freehold and leasehold land are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 freehold lands and 6 leasehold lands are not in the name of the Company.

\## In respect of 5 cases where the possession of freehold and leasehold buildings are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 leasehold building are not in the name of the Company.

Further, in most of the cases, value of the immovable properties as per title deeds are not matching with books of accounts and in respect of 9 cases, court cases are pending with the various authorities out of which title deed of 1 freehold land and 1 leasehold land are not in the name of the Company.

Furthermore, in respect of 9 cases of freehold and leasehold land where total area measuring 21,160 square meter have been encroached by the various persons in respect of which matter is either pending in court or perusing with the various authorities for clearing the encroachment. Out of total 9 cases, title deed of 2 freehold land measuring 1840 square meter and 1 leasehold land measuring 200 square meters are not in the name of the Company.

(ii) **In respect of Delhi Units:**
In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals. However, due to Covid-19 pandemic and lockdown, no physical verification of Inventories was conducted by the management as on March 31, 2020.

In respect of Mumbai Units:
In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals. However, due to Covid-19 pandemic and lockdown, no physical verification of Inventories was conducted by the management as on March 31, 2020.

Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts in earlier periods.

(iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act').

(iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus, paragraph 3(iv) of the Order is not applicable

(v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed there under.

(vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for year 2019-20.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, wherever applicable, have generally been regularly deposited with the appropriate authorities.

However, the Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions, on which Goods and Services Tax (GST) has not been paid.

VINOD KUMAR & ASSOCIATES ★ Chartered Accountants ★ New Delhi

KUMAR VIJAY GUPTA & CO. Chartered Accountants ★ New Delhi ★

(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, goods and service tax, duty of customs, duty of excise, value added tax, cess or other statutory dues were in arrears as at 31st March 2020 for a period of more than six months from the date they became payable.

(c)According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following dues:

In respect of Delhi Units:

i. Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Delhi Value Added Tax Act, 2004	12.21	2007-08	Delhi Value Added Tax, Tribunal
Delhi Value Added Tax Act, 2004	62.60	2009-10 & 2010-11 (CWG 2010)	Delhi Value Added Tax, Tribunal
Central Sales Tax Act, 1956	0.04	2012-13	Addl. Comm. Sales Tax
TOTAL	**74.85**		

ii. Service Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	8.12	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.13	2006-08	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	0.08	2000-03	Commissioner of Central Excise and Service Tax
Finance Act, 1994	1.36	2008-12	Commissioner of Central Excise and Service Tax
TOTAL	**31.69**		

iii. LabourCess:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Building and other Construction Workers Welfare Cess Act, 1996.	9.73	1996 to 2001	Deputy Labour Commissioner

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

In respect of Mumbai Basic Units

i. **Income Tax:**

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Nil	2000-08	Hon'ble Supreme Court of India
TOTAL	**Nil**		

Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Bombay Sales Tax Act, 1959	0.17	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	5.27	1996-97	Hon'ble High Court of Bombay
Bombay Sales Tax Act, 1959	170.08	1997-98	Hon'ble Supreme Court of India
Bombay Sales Tax Act, 1959	216.01	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	101.32	2004-05	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	14.97	2009-10	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	6.11	2011-12	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	26.47	2012-13	Joint Commissioner of Sales Tax, Mumbai
TOTAL	540.40		

ii. **Service Tax:**

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	2.91	2012-13 to 2016-17	Custom Excise and Service Tax Appellate Tribunal
TOTAL	**2.91**		

VINOD KUMAR & ASSOCIATES ★ Chartered Accountants ★ New Delhi

KUMAR VIJAY GUPTA & CO. Chartered Accountants ★ New Delhi ★

In respect of Mumbai MS Unit:

Central Excise:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Nil	2004-05	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2013-14	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2005-06	Commissioner of Central Excise
Total	Nil		

In respect of Corporate Office:

Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending	Remarks
Income Tax Act, 1961	Nil	A.Y 1998-99 to A.Y 2006-07	Hon'ble High Court of Delhi	Total disputed demand of Rs. 740.90 Crores either paid by the Company or deducted by the Income Tax Department from refund due to the Company
Income Tax Act, 1961	Nil	A.Y 2007-08 to A.Y 2009-10	Hon'ble Income Tax Appellant Tribunal and Commissioner of Income Tax (Appeal)	
TOTAL	**Nil**			

(vii) The Company has not defaulted in the repayment of loans or borrowings to a financial institution, bank, Government or dues to debenture holders.

(viii) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year and term loans have been generally applied for the purposes for which they were raised.

(ix) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2020.

(x) In view of the Government notification No. GSR 463 (E) dated 5th June, 2015; Government Companies are exempt from the applicability of Section 197 of the Companies Act 2013. Accordingly clause 3 (xi) of the Order is not applicable to the Company.

(xi) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Hence, Clause 3 (xii) of the Order is not applicable to the Company.

(xii) In our opinion and as per the information and explanation given to us, the company has not entered into any transaction requiring compliance with Section 177 and 188 of the Companies Act, 2013. Hence, Clause 3 (xiii) of the Order is not applicable to the Company.

(xiii) Based on the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review requiring compliance with Section 42 of the Companies Act, 2013. Hence, Clause 3 (xiv) of the Order is not applicable to the Company.

(xiv) Based on the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Hence, Clause 3 (xv) of the Order is not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, Company is not required to register under Section 45 – IA of the Reserve Bank of India Act, 1934. Hence, Clause 3 (xvi) of the Order is not applicable to the Company.

For Vinod Kumar and Associates
Chartered Accountants

Firm Registration No.: 002304N

(CA Mukesh Dadhich)
Partner
Membership No.: 511741

UDIN: 20511741AAAAHJ3366

For Kumar Vijay Gupta & Co.
Chartered Accountants

Firm Registration No.: 007814N

(CA Pawan Kumar Garg)
Partner
Membership No.: 097900

UDIN: 20097900AAAAAK3575

Place: New Delhi
Date: 22nd July, 2020

Annexure - B

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March 2020.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Standalone) for the year 2019-20 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

Sr. No.	Areas Examined	Observation / Finding
1	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, Majority of the accounting transactions are done through the IT system. Although manual intervention is prevalent. Adequate security measures for manual intervention need to be strengthened with supervisory sanction only and properly documented. However, Delhi Unit (Lease Circuit) is not integrated with the IT system.
2	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by lender to a company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	As certified by the management and those charged with governance, we have been informed that there is no restructuring of loan/ wavier/ write off of debts/ loan/ interest during the year 2019-20.
3	Whether funds received/ receivable from the specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the case of deviation.	Yes, the company has received the Swachh Action Plan contribution during FY 2017-18 is Rs. 21 Lakh, FY 2018-19 is Rs. 35.39 Lakh and FY 2019-20 is Rs 35Lakh out of which Rs.53.35Lakh is pending utilization with the company.
4	Whether the amount of revenue of share (License fees and Spectrum Usage charges) recognized in the financial statement in accordance with the DoT? If so, detailed statement & calculation sheet may be attached	Yes, AGR Audit Report and Calculation sheet attached herewith.

We have conducted the audit of accounts of Mahanagar Telephone Nigam Limited for the year ended 2019-20 in accordance with the directions issued by the C&AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with the all directions issued to us.

For Vinod Kumar and Associates
Chartered Accountants

Firm Registration No.: 002304N

(CA Mukesh Dadhich)
Partner
Membership No.: 511741

UDIN: 20511741AAAAHJ3366

For Kumar Vijay Gupta & Co.
Chartered Accountants

Firm Registration No.: 007814N

(CA Pawan Kumar Garg)
Partner
Membership No.: 097900

UDIN: 20097900AAAAAK3575

Place: New Delhi
Date: 22nd July, 2020

Annexure to The Independent Auditors' Report

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

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 **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2020 in conjunction with our audit of the standalone Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS 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 standalone Ind-AS 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 standalone Ind-AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

(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 standalone Ind-AS 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2020:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

VINOD KUMAR & ASSOCITES ★ Chartered Accountants ★ New Delhi

KUMAR VIJAY GUPTA & CO. ★ Chartered Accountants ★ New Delhi

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing systems does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2020 , 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2020 standalone Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind-AS financial statements of the Company.

For Vinod Kumar and Associates
Chartered Accountants

Firm Registration No.: 002304N

VINOD KUMAR & ASSOCITES New Delhi Chartered Accountants

(CA Mukesh Dadhich)
Partner
Membership No.: 511741

UDIN: 20511741AAAAHJ3366

For Kumar Vijay Gupta & Co.
Chartered Accountants

Firm Registration No.: 007814N

KUMAR VIJAY GUPTA & CO. Chartered Accountants New Delhi

(CA Pawan Kumar Garg)
Partner
Membership No.: 097900

UDIN: 20097900AAAAAK3575

Place: New Delhi
Date: 22nd July, 2020

MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
505, Chiranjiv Tower,
43 Nehru Place,
New Delhi -110019
Phone : 011-26419527, 26430349
Fax : 011-26217981
www.mehragoelco.com

KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
408, New Delhi House,
Barakhamba Road, Connaught Place
New Delhi – 110001
Phone : 011- 23314525/26, 45562649
dcsvkg@gmail.com

INDEPENDENT AUDITOR'S REPORT

To
The Members of
Mahanagar Telephone Nigam Limited

Report on the Audit of the Standalone Ind- AS Financial Statements

Qualified Opinion

We have audited the accompanying standalone Ind-AS financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the 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, except for the effects of the matters described in the basis for Qualified Opinion Section of our report, 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, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified 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 Responsibilities for the Audit of the Standalone Ind AS 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 independence requirements that are relevant to our audit of the standalone Ind AS financial statements under the provisions of the Act and the Rules made there under, 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 we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financial statements.

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially.

Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. 1/3000697/ 2017 through file no. 19-17/2017 – SU-II.

However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,352.67 Crores out of which Rs. 2,505.46 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements).

b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,69.34 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 79 to the standalone Ind-AS financial statements).

(v) The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36,37 and 39 to the standalone Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).

(viii) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.

New Delhi

NEW DELHI CHARTERED ACCOUNTANTS

(b) Unlinked credit of Rs. 51.04 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).

(ix) Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

(x) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS financial statements cannot be ascertained and quantified.

(xi) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 58 to the standalone Ind-AS financial statements).

(xii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (iii), (v), (vi), (vii),(viii)(a), (ix), (x), (xi) and (xii) on the standalone Ind-AS financial statements of the Company for the year ended on 31st March 2019.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

Emphasis of Matters

We draw attention to the following notes on the standalone Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Impairment in the value of investments in subsidiary, joint ventures, and associates are considered temporary in nature by management and no provision for impairment in value of these investments has been done.

(ii) Refer note no. 61 to the standalone Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961.

(iii) Point no. (a) of note no. 62 to the standalone Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iv) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 15 and 18 to the standalone Ind-AS financial statements).

(v) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the standalone Ind-AS financial statements.

(vi) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the standalone Ind-AS financial statements and further explained in point no. (d) of Note no. 68 to the standalone Ind-AS financial statements.

(vii) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(viii) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(ix) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

(x) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements.

(xi) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

Our opinion is not modified in respect of these matters.

Material uncertainty related to going concern

We draw attention to Note no. 76 in the financial statements, which indicates that the company has accumulated losses and its net worth has been fully/ substantially eroded, the company has incurred net loss/net cash loss during the current and previous year(s) and the company's current liabilities exceeded its current assets as at the balance date. These events or conditions, along with other matter as set forth in Note 76, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

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.

In addition to the matters described in the basis of qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	How our audit Addressed the key Audit Matter
1	**Material Uncertainty relating to Going Concern:** There is use of Going Concern Assumption basis of accounting in financial statement but a material uncertainty exists.	We have analyzed the management projection are submitted to Department Of Telecom (DOT). We received the expected revenue and corresponding expenses, EBITDA and other expected Capex expenditure outflows.(Refer note no. 76)
2	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard) There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) The application of the new revenue accounting standard is complex and involves a number of key judgements and estimates. Additionally, new revenue accounting standard contains disclosures which involve collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.	We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach including controls testing and substantive procedures covering in particular: Testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams. Testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing includes validating material journals processed between the billing system and general ledger. Performing tests on the accuracy of customer bill generation on sample basis and testing of a sample of the credits and discounts applied to customer bills: and

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

	Refer Notes no. 56 to the Standalone Ind-AS Financial Statements.	Testing receipts for a sample of customers back to customer invoice.
3	Accuracy of revenues and onerous obligations in respect of fixed price contracts involves critical estimates. Estimated effort is a critical estimate to determine revenues and liability for onerous obligations. This estimate has a high inherent uncertainty as it requires consideration of progress of the contract, efforts incurred till date and efforts required to complete the remaining contract performance obligations. Refer Notes no. 56 to the Standalone Ind-AS Financial Statements.	Our audit approach was a combination of test of internal controls and substantive procedures which included the following: • Evaluated the design of internal controls relating to recording of efforts incurred and estimation of efforts required to complete the performance obligations. • Tested the access and application controls pertaining to time recording, allocation and budgeting systems which prevents unauthorized changes to recording of efforts incurred. • Selected a sample of contracts and through inspection of evidence of performance of these controls, tested the operating effectiveness of the internal controls relating to efforts incurred and estimated. • Selected a sample of contracts and performed a retrospective review of efforts incurred with estimated efforts to identify significant variations and verify whether those variations have been considered in estimating the remaining efforts to complete the contract. • Reviewed a sample of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. • Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts.
4	**Uncertain Taxation Matters:** The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes no. 48 and 61 to the Standalone Ind-AS Financial Statements.	We have obtained details of completed tax assessments and demands up to March 31, 2019 from management. We assessed the management's underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the company's own cases, in evaluating management's position on these uncertain tax positions.
5	**Recoverability of Indirect Tax Receivables:** As at March 31, 2019, non-current assets in respect of indirect tax and others include Cenvat recoverable amounting to INR 153.5 crores which are pending adjudication. Refer Note no 12 and 20 to the Standalone Ind-AS Financial Statements.	**Principal Audit Procedures:** We have assessed and reviewed the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution.

NEW DELHI CHARTERED ACCOUNTANTS

New Delhi Accountants

6	**Impairment Loss:** For the CGUs the determination of recoverable amount being the higher of fair value less costs to sell and value –in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management 's view of variables such as future average revenue per user, average customer numbers and customers churn, timing and approval of future capital , spectrum and obtaining expenditure and the most appropriate discount rate. Refer to Note no. 70 of standalone Ind-AS Financial statements.	We evaluated the appropriateness of management's identification of the groups CGUs and testing the impairment assessment process, including indicators of impairment. We analyzed key assumptions in management's valuation model used to determine recoverable amount including assumptions of project adjusted EBITDA projected capital expenditure, projected license and spectrum payments, long term growth rates and discount rates. We compared historical forecasting to actual results and We performed testing of the mathematical accuracy of the cash flow and analyzed key assumptions. Based on our procedures we consider management's key assumptions to be within a reasonable range. We validated the appropriateness of the related disclosures in note no. 70 of the Standalone Ind- AS financial statements.
7	**Discontinued Operations and Assets Held for Sale:** Assests of CDMA continues to be treated as held for sale and discontinued operations as at the balance sheet date. Refer to note no. 51 of standalone Ind-AS Financial statements.	We analyzed in management's estimates of, the releasable value. Based on our procedures, we noted no exceptions and consider management's approach and assumptions to be reasonable.
8	The Company holds investments comprising investments in Associates, Joint Ventures and subsidiaries of Rs 106.13 Crores Investments in Associates, Joint Ventures and subsidiaries accounted forat cost less any provision for impairment Investments are tested for impairment annually. If impairment exists, the recoverable amounts of the investment in Associates, Joint Ventures sand subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognized in the income statement. Refer to Note no.8 of standalone Ind-AS Financial statements.	We assessed the net assets values of the investments as at 31 March 2019 with the Company's investment carrying values. As a result of our work, we agreed with management that the carrying values of the investments held by the Company are supportable in the context of the Company financial statements taken as a whole.

New Delhi
Chartered Accountants

NEW DELHI
CHARTERED ACCOUNTANTS

9	Deferred Tax Assets: - significant judgement is required in relation to the recognition and recoverability of deferred tax assets, Refer to note no. 40 of standalone Ind-AS Financial statements.	In respect of the deferred tax assets, we analyzed to assess the recoverability of losses from a tax perspective through performing the following: • Understanding how losses arose and where they are located, including to which subgroups they are attributed. • Considering whether the losses can be reversed based on the ability to generate profits in excess of past losses; • Comparing historical forecasting to actual results; • Considering the impact of recent regulatory developments, as applicable; • Assessing any restrictions on future use of losses; and • Determining whether any of the losses will expire. In addition, we assessed the application of Ind-AS 12 – Income Taxes including: • Understanding the triggers for recognition of deferred tax assets; • Considering the effects of tax planning strategies; • Testing the mathematical accuracy of the cash flow models and challenging and agreeing the key assumptions in the management plan and likelihood of generating future taxable profits to support the recoverability of the deferred tax asset. We also reviewed the disclosures made in respect of the utilization period of deferred tax assets. Refer to note no. 40 of standalone Ind-AS Financial statements.
10	**Provisions and contingent liabilities** There are a number of **legal, regulatory and** tax cases against the Group. High level of judgement is required in estimating the level of provisioning required. Refer to note no. 48 of standalone Ind-AS Financial statements.	We analyzed the current status of the tax cases. For legal, regulatory and tax matters our procedures included the following: • Testing key controls over litigation, regulatory and tax procedures; • Performing substantive procedures on the underlying calculations supporting the provisions recorded; • Where relevant, reading external legal opinions obtained by management; • Meeting with regional and local management and reading relevant Group correspondence; • Discussing open matters with the Group litigation, regulatory, general counsel and tax teams; • Assessing management's conclusions through understanding precedents set in similar cases; and • Circularization where appropriate of relevant third party legal representatives and direct discussion with them regarding certain material cases. Based on the evidence obtained, and the related

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

		disclosures in note no. 48 of the Standalone Ind-AS financial statements, conclude that the disclosure was sufficient.

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report, but does not include the standalone financial statements and our auditor's report 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.

Responsibilities of the Management and those charged with governance 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 Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total 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 statements 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.

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

Auditor's Responsibilities for the Audit of the Standalone Ind-AS 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 controls 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.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 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 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.

NEW DELHI

CHARTERED ACCOUNTANTS

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 term of sub section (11) of section 143 of the Companies Act 2013, we give in the ''Annexure A'' a statement on the matters specified in paragraph 3 and 4 of the Order , to the extent applicable.

2. As required by section 143(5) of the Act, we give in "Annexure B" a statement on the matters specified by the Comptroller and Auditor General of India for the Company.

3. 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 Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) The going concern matter described in material uncertainty related to going concern paragraph above, in our opinion, may have an adverse effect on the functioning of the company.

   g) 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 C". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   h) 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 according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 read with the schedule V of the Companies Act 2013.the remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The ministry of corporate affairs has not prescribed other details under section 197 (16) which are required to commented upon by us.

   i) 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.

NEW DELHI CHARTERED ACCOUNTANTS

iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Mehra Goel & Co.	**For Kumar Vijay Gupta & Co.**
Chartered Accountants	**Chartered Accountants**
Firm Registration No.: 000517N	**Firm Registration No.: 007814N**
NEW DELHI CHARTERED ACCOUNTANTS	New Delhi Accountants
(CA Sanjay Mehra)	**(CA Alok Jain)**
Partner	**Partner**
Membership No.: 085389	**Membership No.: 095345**

Place: New Delhi
Date: 30th May, 2019

Annexure - A

Annexure to the Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March, 2019.

(i) (a) Delhi unit has maintained records of fixed assets. However in MS unit-Delhi, identification numbers are not mentioned. It has been noticed that records of the Estates Department in respect of land and building do not match with the records as per financial books.

In case of Mumbai units (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai units are not updated and reconciled with the financial records. Also identification numbers are not mentioned in respect of most of the items.

Corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.

(b) As per the accounting policy of the Company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, Office Machinery and Equipments, Leased Premises and Cables were physically verified in accordance with the said programme of verification by the management during the year. The accuracy, reliability and completeness of the fixed assets verification procedure could not be verified by us.

(c) Title deeds of some of the immovable properties recorded in the books of the Company are in the name of Govt. of India, P&T and President of India, since the operation of Delhi & Mumbai of Department of Telecom was converted as MTNL. Details of such properties are given hereunder:

		(Amounts in Rs. Crores)
PARTICULARS	**DELHI UNIT**	**MUMBAI UNIT**
Free Hold Land		
- Total Number of Cases	1	23#
- Gross Block	0.06	4.15
Lease Hold Land		
- Total Number of Cases	89*	12#
- Gross Block	219.53	2.65
- Net Block	152.03	1.78
Building		
- Total Number of Cases	53**	3##
- Gross Block	32.37	1.53
- Net Block	3.89	0.76

In respect of Delhi Units:

* In respect of 43 cases out of 89 where the lease hold land acquired from DOT have been capitalized by MTNL and no data is available in respect of depreciation and net WDV of such assets as the same is not identifiable from the fixed assets register.

** No information is available in respect of lease hold buildings allotted by the various govt. authorities to MTNL but the same has been capitalized by MTNL and due to non availability of information, the aforesaid cases has not been included in the above details.

NEW DELHI

In respect of Mumbai Units;

\# In respect of 12 cases where the possession of freehold and leasehold land are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 freehold lands and 6 leasehold lands are not in the name of the Company.

\## In respect of 5 cases where the possession of freehold and leasehold buildings are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 leasehold building are not in the name of the Company.

Further, in most of the cases, value of the immovable properties as per title deeds are not matching with books of accounts and in respect of 9 cases, court cases are pending with the various authorities out of which title deed of 1 freehold land and 1 leasehold land are not in the name of the Company.

Furthermore, in respect of 9 cases of freehold and leasehold land where total area measuring 21,160 square meter have been encroached by the various persons in respect of which matter is either pending in court or perusing with the various authorities for clearing the encroachment. Out of total 9 cases, title deed of 2 freehold land measuring 1840 square meter and 1 leasehold land measuring 200 square meters are not in the name of the Company.

(ii) **In respect of Delhi Units:**
In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Sub-stores of Basic Unit Delhi, Store of Wireless Unit Delhi.

In respect of Mumbai Units:
In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Area Stores of East-1, HQ-Transmission and Planning Units, ANC Area Stores and Sub-Stores of Mumbai Basic Units and inventory of Wireless Unit Mumbai. Further, reconciliation of the physically verified inventory with books of accounts has not been done by the units except by Material Management (MM) Unit.

Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

(iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act') except the following:

Name of the Company	Outstanding Balance	Amount Overdue for more than 90 days
Millennium Telecom Limited	60,60,175	60,60,175

Repayment of principal and payment of interest is not regular.

(iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus, paragraph 3(iv) of the Order is not applicable

(v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed there under.

(vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for year 2018-19.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, wherever applicable, have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.

New Delhi

Mehra Goel & Co. New Delhi Chartered Accountants

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, goods and service tax, duty of customs, duty of excise, value added tax, cess or other statutory dues were in arrears as at 31st March 2019 for a period of more than six months from the date they became payable except in respect of the following:

Name of the Statue	Nature of the Dues	Amount (in Rs.)	Period to which the amount relates	Due Date	Date of Payment
Luxury Tax Act, 1987	Luxury Tax	11,49,680	April, 2017 to June, 2017	21st day of the following month/quarter	Amount has not been paid
	TOTAL	**11,49,680**			

The amounts of Luxury Tax collected and not deposited are lying with the company. The same should be deposited along with interest. The amount of Interest has not been provided in the financial statements. Considering the quantum of irregularity, the same has not been considered in the basis of qualified opinion paragraph.

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following dues:

In respect of Delhi Units:

i. Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Delhi Value Added Tax Act, 2004	12.21	2007-08	Delhi Value Added Tax, Tribunal
Delhi Value Added Tax Act, 2004	62.60	2009-10 & 2010-11 (CWG 2010)	Delhi Value Added Tax, Tribunal
Central Sales Tax Act, 1956	0.04	2012-13	Addl. Comm. Sales Tax
TOTAL	**74.85**		

ii. Service Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	8.45	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.13	2006-08	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	0.08	2000-03	Commissioner of Central Excise and Service Tax
Finance Act, 1994	1.42	2008-12	Commissioner of Central

New Delhi

NEW DELHI

			Excise and Service Tax
TOTAL	**32.08**		

iii. Labour Cess:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Building and other Construction Workers Welfare Cess Act, 1996.	9.73	1996 to 2001	Deputy Labour Commissioner

In respect of Mumbai Basic Units

i. Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Nil	2000-08	Hon'ble Supreme Court of India
TOTAL	**Nil**		

Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Bombay Sales Tax Act, 1959	0.17	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	5.27	1996-97	Hon'ble High Court of Bombay
Bombay Sales Tax Act, 1959	170.08	1997-98	Hon'ble Supreme Court of India
Bombay Sales Tax Act, 1959	216.01	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	101.32	2004-05	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	14.97	2009-10	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	6.11	2011-12	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	26.47	2012-13	Joint Commissioner of Sales Tax, Mumbai
TOTAL	540.39		

New Delhi Chartered Accountants

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Luxury Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.54	2007-08	Joint Commissioner of Sales Tax (Appeal) - IV, Mumbai
Luxury Tax Act, 1987	0.94	2008-09	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.21	2009-10	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.44	2010-11	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.79	2011-12	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	2.07	2012-13	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
TOTAL	**4.99**		

ii. **Service Tax:**

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	0.07	2013-14	Custom, Excise and Service Tax Appellate Tribunal
TOTAL	**0.07**		

In respect of Mumbai MS Unit:

Central Excise:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Nil	2004-05	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2013-14	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2005-06	Commissioner of Central Excise
Total	Nil		

New Delhi Chartered Accountants

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

In respect of Corporate Office:

Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending	Remarks
Income Tax Act, 1961	0.00	1998-2010	Hon'ble High Court of Delhi, Income Tax Appellant Tribunal and Commissioner of Income Tax (Appeal)	Total disputed demand of Rs. 775.75 Crores either paid by the Company or deducted by the Income Tax Department from refund due to the Company
TOTAL	**0.00**			

(viii) The Company has not defaulted in the repayment of loans or borrowings to a financial institution, bank, Government or dues to debenture holders.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year and term loans have been generally applied for the purposes for which they were raised.

(x) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2019.

(xi) In view of the Government notification No. GSR 463 (E) dated 5th June, 2015; Government Companies are exempt from the applicability of Section 197 of the Companies Act 2013. Accordingly clause 3 (xi) of the Order is not applicable to the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Hence, Clause 3 (xii) of the Order is not applicable to the Company.

(xiii) In our opinion and as per the information and explanation given to us, the company has not entered into any transaction requiring compliance with Section 177 and 188 of the Companies Act, 2013. Hence, Clause 3 (xiii) of the Order is not applicable to the Company.

(xiv) Based on the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review requiring compliance with Section 42 of the Companies Act, 2013. Hence, Clause 3 (xiv) of the Order is not applicable to the Company.

(xv) Based on the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Hence, Clause 3 (xv) of the Order is not applicable to the Company.

New Delhi

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(xvi) In our opinion and according to the information and explanations given to us, Company is not required to register under Section 45 – IA of the Reserve Bank of India Act, 1934. Hence, Clause 3 (xvi) of the Order is not applicable to the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

(CA Sanjay Mehra)
Partner
Membership No.: 085389

Place: New Delhi
Date: 30th May, 2019

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(CA Alok Jain)
Partner
Membership No.: 095345

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March 2019.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Standalone) for the year 2018-19 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

<table>
<tr><th>Sr. No.</th><th>Areas Examined</th><th>Observation / Finding</th></tr>
<tr><td>1</td><td>Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.</td><td>The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under :

<u>DELHI UNIT</u>

The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold.

<u>MUMBAI UNIT</u>

The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.</td></tr>
</table>

<table>
<tr><td>2</td><td>Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.</td><td>The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under:

<table><tr><th>Particulars</th><th>(Rs. in Crores)</th></tr><tr><td>Write off of debts Due to non recoverability (Refer note no. 39)</td><td>18.32</td></tr><tr><td>Waiver of penalty & interest</td><td>Nil</td></tr><tr><td>TOTAL</td><td>18.32</td></tr></table></td></tr>
</table>

4	Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.	The details have been verified by us.
5	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, Majority of the accounting transactions are done through the IT system. Although manual intervention is prevalent. Adequate security measures for manual intervention need to be strengthened with supervisory sanction only and properly documented.
6	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by lender to a company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	As certified by the management and those charged with governance, we have been informed that there is no restructuring of loan/ wavier/ write off of debts/ loan/ interest during the 2018-19.
7	Whether funds received/ receivable from the specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the case of deviation.	Yes, Company received the Swachh Action Plan contribution during 2018-19 Rs.56.39Lakh out of which Rs.32.72Lakh is pending utilization with the company.
8	Whether the amount of revenue of share (License fees and Spectrum Usage charges) recognized in the financial statement in accordance with the DoT? If so, detailed statement & calculation sheet may be attacned	Yes, AGR Audit Report will be provided separately

We have conducted of the audit of accounts of Mahanagar Telephone Nigam Limited for the year ended 2018-19 in accordance with the directions issued by the C&AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with the all directions issued to us.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

Annexure – C

Annexure to The Independent Auditors' Report

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

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 **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2019 in conjunction with our audit of the standalone Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS 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 standalone Ind-AS 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 standalone Ind-AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

(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 standalone Ind-AS 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2019:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing systems does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 standalone Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind-AS financial statements of the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

NEW DELHI
CHARTERED ACCOUNTANTS

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

New Delhi
Chartered Accountants

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
505, Chiranjiv Tower,
43, Nehru Place,
New Delhi – 110019
Phone : 011 - 26419527, 26430349
Fax : 011 – 26217981
www.mehragoelco.com

KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
408, New Delhi House,
Barakhamba Road, Connaught Place
New Delhi – 110001
Phone : 011 – 23314525/26, 45562649
dcavkg@gmail.com

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Standalone Ind-AS Financial Statements

We have audited the accompanying standalone Ind-AS financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED**, ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including 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 State of Affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind-AS) prescribed under Section 133 of the Act.

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 are 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 there under.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

We conducted our audit of the standalone Ind-AS 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 Ind-AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind-AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind-AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of 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 qualified audit opinion on the standalone Ind-AS financial statements.

Basis for Qualified Opinion

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 as well as in the previous year and the current liabilities exceeded the current assets substantially.

Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. 1/3000697/ 2017 through file no. 19-17/2017 - SU-II.

However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements)

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

b) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements.

c) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 115.61 Crores has not been carried forward or ineligible credits amounting to Rs. 50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

d) The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,465.41 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 58 to the standalone Ind-AS financial statements).

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(v) The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).

(viii) Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).

(ix) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.

(b) Unlinked credit of Rs. 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).

(x) Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

(xi) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS financial statements cannot be ascertained and quantified.

(xii) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 57 to the standalone Ind-AS financial statements).

(xiii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).

(xiv) During the year, the Company has booked an income amounting to Rs. 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 78 to the standalone Ind-AS financial statements).

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) on the standalone Ind-AS financial statements of the Company for the year ended on 31st March 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid 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 including the Indian Accounting Standards (Ind-AS), of the state of affairs (financial position) of the Company as at 31st March, 2018 and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the following notes on the standalone Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Impairment in the value of investments in subsidiary, joint ventures, and associates are considered temporary in nature by management and no provision for impairment in value of these investments has been done.

(ii) Refer note no. 61 to the standalone Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.

(iii) Point no. (a) of note no. 62 to the standalone Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iv) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no. 15 to the standalone Ind-AS financial statements).

(v) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 15 and 18 to the standalone Ind-AS financial statements).

(vi) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the standalone Ind-AS financial statements.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(vii) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the standalone Ind-AS financial statements and further explained in point no. (d) of Note no. 68 to the standalone Ind-AS financial statements.

(viii) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(ix) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(x) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

Our opinion is not modified in respect of these matters.

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 - 'A'** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2. As required by Section 143(5) of the Act, we give in **Annexure – 'B'**, a statement on the matters specified by the Comptroller and Auditor-General of India for the Company.

3. 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 except for the matters described in point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis of Qualified Opinion given above;

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(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 except for our comments under the head 'Basis for Qualified Opinion' stated above;

(c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Information), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement the books of account;

(d) In our opinion and based on our comments in point nos. (i), (ii)(c), (iv), (v), (vi), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis for Qualified Opinion given above, the aforesaid standalone Ind-AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act except for Ind-As – 1 regarding Presentation of Financial Statements, Ind-AS – 16 regarding Property, Plant and Equipment, Ind-AS – 17 regarding Leases, Ind-AS – 18 regarding Revenue, Ind-AS – 36 regarding Impairment of Assets and Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets;

(e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, government companies are exempt from the applicability of Section 164 (2) of the Act;

(f) With respect to the adequacy of internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in **"Annexure C"**;

(g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

(h) With respect to the other matters to be included in the Auditors 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, wherever quantifiable, on its financial position in its standalone Ind-AS financial statements. Refer note no. 48 to the standalone Ind-AS financial statements.

ii. the Company is not required to make any provision for any material foreseeable losses, as required under applicable laws or accounting standards, on long terms contracts. Also the Company is not dealing into derivatives contracts. Refer note no. 74 to the standalone Ind-AS financial statements.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

iii. There were no amounts which were required to be transferred to the Investor, Education and Protection Fund. Refer note No. 73 to the standalone Ind-AS financial statements.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

(Nikhil Agrawal)
Partner
Membership No.: 419806

NEW DELHI
MEHRA GOEL & CO. CHARTERED ACCOUNTANTS

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure to the Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March, 2018.

(i) (a) Delhi unit has maintained records of fixed assets. However in MS unit-Delhi, identification numbers are not mentioned. It has been noticed that records of the Estates Department in respect of land and building do not match with the records as per financial books.

In case of Mumbai units (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai units are not updated and reconciled with the financial records. Also identification numbers are not mentioned in respect of most of the items.

Corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.

(b) As per the accounting policy of the Company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, Office Machinery and Equipments, Leased Premises and Cables were physically verified in accordance with programme of verification by the management during the year and no material discrepancies were noticed on such verification. The accuracy, reliability and completeness of the fixed assets verification procedure could not be verified by us.

(c) Title deeds of most of the immovable properties recorded in the books of the Company are not held in the name of the Company. Details of such properties are given hereunder:

(Amounts in Rs. Crores)

PARTICULARS	DELHI UNIT	MUMBAI UNIT
Free Hold Land		
- Total Number of Cases	1	23#
- Gross Block	0.06	4.15
Lease Hold Land		
- Total Number of Cases	89*	12#
- Gross Block	219.53	2.65
- Net Block	152.03	1.78
Building		
- Total Number of Cases	53**	3##
- Gross Block	32.37	1.53
- Net Block	3.89	0.76

In respect of Delhi Units:

* In respect of 43 cases out of 89 where the lease hold land acquired from DOT have been capitalized by MTNL and no data is available in respect of depreciation and net WDV of such assets as the same is not identifiable from the fixed assets register.

** No information is available in respect of lease hold buildings allotted by the various govt. authorities to MTNL but the same has been capitalized by MTNL and due to non availability of information, the aforesaid cases has not been included in the above details.

In respect of Mumbai Units:

\# In respect of 12 cases where the possession of freehold and leasehold land are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 freehold lands and 6 leasehold lands are not in the name of the Company.

\#\# In respect of 5 cases where the possession of freehold and leasehold buildings are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 leasehold building are not in the name of the Company.

Further, in most of the cases, value of the immovable properties as per title deeds are not matching with books of accounts and in respect of 9 cases, court cases are pending with the various authorities out of which title deed of 1 freehold land and 1 leasehold land are not in the name of the Company.

Furthermore, in respect of 9 cases of freehold and leasehold land where total area measuring 21,160 square meter have been encroached by the various persons in respect of which matter is either pending in court or perusing with the various authorities for clearing the encroachment. Out of total 9 cases, title deed of 2 freehold land measuring 1840 square meter and 1 leasehold land measuring 200 square meters are not in the name of the Company.

(ii) **In respect of Delhi Units:**

In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Sub-stores of Basic Unit Delhi, Store of Wireless Unit Delhi.

In respect of Mumbai Units:

In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Area Stores of East-1, HQ-Transmission and Planning Units, ANC Area Stores and Sub-Stores of Mumbai Basic Units and inventory of Wireless Unit Mumbai. Further, reconciliation of the physically verified inventory with books of accounts has not been done by the units except by Material Management (MM) Unit.

Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

(iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Thus, paragraph 3(iii) of the Order is not applicable

(iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus, paragraph 3(iv) of the Order is not applicable

(v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed there under.

(vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for year 2017-18.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, wherever applicable, have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess or other statutory dues were in arrears as at 31st March 2018 for a period of more than six months from the date they became payable except in respect of the following:

Name of the Statue	Nature of the Dues	Amount (in Rs.)	Period to which the amount relates	Due Date	Date of Payment
Luxury Tax Act, 1987	Luxury Tax	11,49,680	April, 2017 to June, 2017	21st day of the following month/quarter	Amount has not been paid
	TOTAL	**11,49,680**			

The amounts of Luxury Tax collected and not deposited are lying with the company. The same should be deposited along with interest. The amount of Interest has not been provided in the financial statements. Considering the quantum of irregularity, the same has not been considered in the basis of qualified opinion paragraph.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following dues:

In respect of Delhi Units:

i. Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Delhi Value Added Tax Act, 2004	12.21	2007-08	Delhi Value Added Tax, Tribunal
Delhi Value Added Tax Act, 2004	62.60	2009-10 & 2010-11 (CWG 2010)	Delhi Value Added Tax, Tribunal
Central Sales Tax Act, 1956	0.04	2012-13	Addl. Comm. Sales Tax
TOTAL	74.85		

ii. Service Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	8.45	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.13	2006-08	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	0.08	2000-03	Commissioner of Central Excise and Service Tax
Finance Act, 1994	0.71	2008-12	Commissioner of Central Excise and Service Tax
TOTAL	31.37		

iii. Labour Cess:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Building and other Construction Workers Welfare Cess Act, 1996.	9.73	1996 to 2001	Deputy Labour Commissioner

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

In respect of Mumbai Basic Units

i.Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	1.03	2000-01	Hon'ble Supreme Court of India
TOTAL	1.03		

Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Bombay Sales Tax Act, 1959	0.17	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	5.27	1996-97	Hon'ble High Court of Bombay
Bombay Sales Tax Act, 1959	351.85	1997-98	Hon'ble Supreme Court of India
Bombay Sales Tax Act, 1959	216.01	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	101.32	2004-05	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	14.97	2009-10	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	6.11	2011-12	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	26.47	2012-13	Joint Commissioner of Sales Tax, Mumbai
TOTAL	722.16		

Luxury Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.64	2007-08	Joint Commissioner of Sales Tax (Appeal) - IV, Mumbai
Luxury Tax Act, 1987	1.11	2008-09	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.26	2009-10	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.51	2010-11	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.93	2011-12	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	2.17	2012-13	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
TOTAL	**5.63**		

ii. **Service Tax:**

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	0.07	2013-14	Custom, Excise and Service Tax Appellate Tribunal
TOTAL	**0.07**		

In respect of Mumbai MS Unit:

Central Excise:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Central Excise Act, 1944	0.29	2004-05	Commissioner of Central Excise
Central Excise Act, 1944	0.32	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	0.53	2013-14	Commissioner of Central Excise
Central Excise Act, 1944	0.11	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	2.73	2005-06	Commissioner of Central Excise
Total	**3.62**		

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

In respect of Corporate Office:

Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending	Remarks
Income Tax Act, 1961	0.00	1998-2010	Hon'ble High Court of Delhi, Income Tax Appellant Tribunal and Commissioner of Income Tax (Appeal)	Total disputed demand of Rs. 775.75 Crores either paid by the Company or deducted by the Income Tax Department from refund due to the Company
TOTAL	**0.00**			

(viii) The Company has not defaulted in the repayment of loans or borrowings to a financial institution, bank, Government or dues to debenture holders.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year and term loans have been generally applied for the purposes for which they were raised.

(x) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2018.

(xi) In view of the Government notification No. GSR 463 (E) dated 5th June, 2015; Government Companies are exempt from the applicability of Section 197 of the Companies Act 2013. Accordingly clause 3 (xi) of the Order is not applicable to the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Hence, Clause 3 (xii) of the Order is not applicable to the Company.

(xiii) In our opinion and as per the information and explanation given to us, the company has not entered into any transaction requiring compliance with Section 177 and 188 of the Companies Act, 2013. Hence, Clause 3 (xiii) of the Order is not applicable to the Company.

(xiv) Based on the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review requiring compliance with Section 42 of the Companies Act, 2013. Hence, Clause 3 (xiv) of the Order is not applicable to the Company.

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

(xv) Based on the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Hence, Clause 3 (xv) of the Order is not applicable to the Company.

(xvi) In our opinion and according to the information and explanations given to us, Company is not required to register under Section 45 – IA of the Reserve Bank of India Act, 1934. Hence, Clause 3 (xvi) of the Order is not applicable to the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

(Nikhil Agrawal)
Partner
Membership No.: 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure - B

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March 2018.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Standalone) for the year 2017-18 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

Sr. No.	Areas Examined	Observation / Finding
1	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under : **DELHI UNIT** The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold. **MUMBAI UNIT** The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

2	Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.	The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under: **Particulars** — **(Rs. in Crores)** Write off of debts Due to non recoverability — 22.73 Waiver of penalty & Interest — Nil **TOTAL** — **22.73**
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	a. There are no inventories lying with third parties. b. The Company has not received any assets as gifts from Government or other authorities during the year.
4	Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.	The details have been verified by us.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

Nikhil Agrawal

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No.: 419886

Place: New Delhi
Date: 30th May, 2018

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Annexure - C

Annexure to The Independent Auditors' Report

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

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 **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2018 in conjunction with our audit of the standalone Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). 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.

Auditors' 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, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both 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 judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS financial statements, whether due to fraud or error.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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 standalone Ind-AS 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 standalone Ind-AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations 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 standalone Ind-AS 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.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2018:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate Internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of Internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing systems does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS NEW DELHI

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of 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.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind-AS financial statements of the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

Nikhil Agrawal

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No.: 419806

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

ANNEXURE – III (C)
AUDITOR’S REVIEW REPORT
CONSOLIDATED SEPTEMBER 30, 2020

VINOD KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
4696, BrijBhawan,
21A, Ansari Road, Darya Ganj
New Delhi – 110002

For SPMG & Co.
CHARTERED ACCOUNTANTS
3322-A, 2nd Floor,
Bank Street, Karol Bagh,
New Delhi – 110005

Independent Auditor's Review Report on Unaudited Consolidated Financial Results for the Quarter and Half year Ended September 30th, 2020 of Mahanagar Telephone Nigam Limited Pursuant to the Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended

To
The Board of Directors
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sadan,
5th Floor, 9, CGO Complex,
Lodhi Road, New Delhi - 110 003

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of Mahanagar Telephone Nigam Limited ("The Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "The Group"), and its share of the net profit after tax and total comprehensive income of its a joint venture and associate for the quarter and half year ended September 30th, 2020 ("The Statement") attached herewith, being submitted by the Parent pursuant to the requirement of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

   This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

   We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

3. The Statement includes the results of the following entities:
   (a) **List of Subsidiaries:**
   - Mahanagar Telephone (Mauritius) Limited ('MTML')
   - Millennium Telecom Limited

(b) **List of step down subsidiaries**

- MTML Data Limited
- MTML International Limited

(c) **List of Joint Venture:**

- MTNL STPI IT Services Limited ('MSISL')

(d) **List of Associate:**

- United Telecommunications Limited ('UTL')

4. **Basis for Qualified Conclusion**

Based on the information provided to us by the Management of Mahanagar Telephone Nigam Limited, we have given in the Annexure – I to this report the basis for qualified conclusions.

5. **Qualified Conclusion**

Based on our review conducted and procedures performed as stated in paragraph 2 above and based on the interim financial results and other financial information certified by the management of parent company referred to in paragraph 7 below, except for the observations / matters mentioned in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

6. **Emphasis of Matter**

(i) With reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Parent Company u/s 80 IA of the Income Tax Act, 1961 we are unable to comment on the adequacy or otherwise of the provision and / or contingency reserve held by the Parent Company.

(ii) Impact of accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, will be given in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets.

(iv) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optees absorbed employees in MTNL and the matter has been under review with DOT and the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in being on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF.

(v) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Parent Company and DOT.

(vi) The License agreement between the Parent Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(vii) In certain cases of freehold and leasehold land, the Parent Company is having title deeds which are in the name of the Parent Company but the value of which are not lying in books of accounts of the Parent Company.

(viii) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Parent Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the unaudited consolidated financial results.

(ix) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts and ECL as per Ind AS.

(x) In pursuance DoT letter No. F.No. 30-04/2019-PSU Affairs dt. 29 October, 2019 and decision of Board of Directors of MTNL through circular regulation on 4th November 2019, the MTNL Voluntary Retirement Scheme has been introduced with effect from 4th November 2019 under which 14,387 number of MTNL employees opted for VRS and the expenditure of ex-gratia on account of compensation to be borne by the DOT/Government of India through budgetary supports as per approval of cabinet.

Our conclusion is not modified in respect of aforesaid matters.

7. The Statement includes interim financial results and other financial information of 4 subsidiaries (including two step down subsidiaries whose interim financial results and other financial information reflect total revenues of Rs 21.85 Crore and Rs.39.01 Crore, net Profit/(loss) after tax of Rs 0.76 Crore and Rs.(2.27)Crore and total comprehensive income(Loss) of Rs. (0.96) Crore and Rs. (5.74) Crore for the quarter and half year ended September 30th, 2020 respectively and net cash flows for the half year ended Rs. (22.27) Crore and the interim financial results and other financial information of 1 joint venture which reflects Group's share of net profit after tax of Rs. 0.37 Crore and Rs.0.67 Crore and total comprehensive income of Rs. 0.37 Crore and Rs.0.67 Crore for the quarter and half year ended September 30th, 2020 which are certified by the Management

New Delhi

According to the Information and explanations given to us by the Management, these Interim financial results and other financial information are not material to the Group. Our conclusion on the Statement is not modified in respect of this matter.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

CA Mukesh Dadhich
Partner
Membership No.: 511741

UDIN: 20511741AAAANC5978

For SPMG & Co.
Chartered Accountants
Firm Registration No.: 509249C

CA Vinod Gupta
Partner
Membership No.: 090687

UDIN: 20090687AAAAHL3007

Place: New Delhi
Date: 11th November, 2020

VINOD KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
4696, Brij Bhawan,
21A, Ansari Road, Darya Ganj
New Delhi – 110002

For SPMG & Co.
CHARTERED ACCOUNTANTS
3322-A, 2nd Floor,
Bank Street, Karol Bagh,
New Delhi – 110005

Annexure – I to the Independent Auditors' Review Report
(Referred to in Para 3 of our report of even date)

1. The Net Worth of the Parent Company has been fully eroded; The Parent Company has incurred net cash loss during the quarter and half year ended September 30th, 2020 as well as in the previous years and the current liabilities exceeded the current assets substantially.

   Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Parent Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.

   However, the consolidated unaudited financial results have been prepared on a going concern basis keeping in view the majority stake of the Government of India.

   Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

2. **Bharat Sanchar Nigam Limited (BSNL):**

   a) The Parent Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3574.77 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated unaudited financial results.

   b) The Parent Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward and ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

3. The Parent Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 410.46 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated unaudited financial results.

4. Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreement. The Parent

Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.

5. The Parent Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated unaudited financial results is not ascertained and quantified.

6. Except for the Impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the quarter and half year ended on September 30th, 2020, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.

7. The Parent Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated unaudited financial results are not ascertainable and quantifiable.

8. Unlinked credit of Rs. 44.73 Crores on account of receipts from subscribers against billing by the Parent Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. Pending reconciliations, the impact thereof on the consolidated unaudited financial results are not ascertainable and quantifiable.

9. Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the consolidated unaudited financial results by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

10. Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the consolidated unaudited financial results cannot be ascertained and quantified.

SPMG & Co. New Delhi Chartered Accountants

11. Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA for Rs 107.44 Crores has been withdrawn by DOT on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability till last year although no further demand is there from DOT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum alloted beyond 6.2 Mhz, directed Govt. to review the demand for spectrum allotted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was allotted before 1-1-2013. As explained, as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand, if any, can not be more than Rs 455 crs the same is considered as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the consolidated financial results of the Company.

12. The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions, on which Goods and Services Tax (GST) has not been paid. The actual impact of the same on the Consolidated financial results is not ascertained and quantified.

The above observations/conclusions referred to in Para no. 1 to 12 were subject matter of qualification in the Auditor's Report for the year ended on March 31st, 2020.

The overall impact of matters referred to in above paras except para no. 1, 2(a), 2(b), 3, 5, 6, 7,8, 9, 10,11 and 12 on the attached consolidated unaudited financial results is not determinable.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

CA Mukesh Dadhich
Partner
Membership No.: 511741
UDIN: 20511741AAAANC5978

For SPMG & Co.
Chartered Accountants
Firm Registration No.: 509249C

CA Vinod Gupta
Partner
Membership No.: 090687
UDIN: 20090687AAAAHL3007

Place: New Delhi
Date: 11th November, 2020

ANNEXURE – III (D) AUDITOR'S REVIEW REPORT STANDALONE SEPTEMBER 30, 2020

VINOD KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
4696, Brij Bhawan,
21A, Ansari Road, Darya Ganj
New Delhi – 110002

For SPMG & Co.
CHARTERED ACCOUNTANTS
3322-A, 2nd Floor,
Bank Street, Karol Bagh,
New Delhi – 110005

Independent Auditor's Review Report on Standalone Unaudited for Quarter and Half Year Ended September 30th, 2020 Financial Results of Mahanagar Telephone Nigam Limited Pursuant to the Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended

To
The Board of Directors
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sadan,
5th Floor, 9, CGO Complex,
Lodhi Road, New Delhi - 110 003

1. We have reviewed the accompanying statement of unaudited standalone financial results ("The Statement") of MAHANAGAR TELEPHONE NIGAM LIMITED ("The Company") for the Quarter and Half Year ended September 30th, 2020, attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

   This statement is the responsibility of the Company's Management, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard-34 "Interim Financial Reporting" ("Ind-AS 34"), specified under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. **Basis for Qualified Conclusion**

   Based on the information provided to us by the Management of Mahanagar Telephone Nigam Limited we have given in the Annexure – I to this report the basis for qualified conclusions.

Vinod Kumar & Associates New Delhi Chartered Accountants

SPMG & Co. New Delhi Chartered Accountants

4. Qualified Conclusion

Based on our review conducted as stated above, except for the observations / matters mentioned in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results read with notes thereon, prepared in accordance with the applicable Indian Accounting Standards (Ind-AS) and other recognized accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 , as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. Emphasis of Matter

(i) With reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961 we are unable to comment on the adequacy or otherwise of the provision and / or contingency reserve held by the Company.

(ii) Impact of accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, will be given in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets.

(iv) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optees absorbed employees in MTNL and the matter has been under review with DOT and the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF.

(v) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(vi) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(vii) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

(viii) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the Information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the unaudited standalone financial results.

(ix) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts.

(x) In pursuance DoT letter No. F.No. 30-04/2019-PSU Affairs dt. 29 October, 2019 and decision of Board of Directors of MTNL through circular regulation on 4th November 2019, the MTNL Voluntary Retirement Scheme has been introduced with effect from 4th November 2019 under which 14,387 number of MTNL employees opted for VRS and the expenditure of ex-gratia on account of compensation to be borne by the DOT/Government of India through budgetary supports as per approval of cabinet.

Our conclusion is not modified in respect of aforesaid matters.

For Vinod Kumar & Associates	For SPMG & Co.
Chartered Accountants	Chartered Accountants
Firm Registration No.: 002304N	Firm Registration No.: 509249C
CA Mukesh Dadhich	CA Vinod Gupta
Partner	Partner
Membership No.: 511741	Membership No.: 090687
UDIN: 20511741AAAANB5197	UDIN: 20090687AAAAHK7847

Place: New Delhi
Date: 11th November, 2020

VINOD KUMAR & ASSOCIATES
CHARTERED ACCOUNTANTS
4696, Brij Bhawan,
21A, Ansari Road, Darya Ganj
New Delhi – 110002

For SPMG & Co.
CHARTERED ACCOUNTANTS
3322-A, 2nd Floor,
Bank Street, Karol Bagh, New Delhi – 110005

Annexure – I to the Independent Auditors' Review Report
(Referred to in Para 3 of our report of even date)

1. The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the quarter and half year ended September 30th, 2020 as well as in the previous year and the current liabilities exceeded the current assets substantially.

   Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.

   However, the unaudited standalone financial results of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India.

   Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

2. Bharat Sanchar Nigam Limited (BSNL):

   a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3574.77 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the unaudited standalone financial results of the Company.

   b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward and ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

3. The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 410.46 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the unaudited standalone financial results of the Company.

4. Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in

terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.

5. The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the unaudited standalone financial results is not ascertained and quantified.

6. Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the quarter and half year ended on September 30th, 2020, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.

7. The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the unaudited standalone financial results are not ascertainable and quantifiable.

8. Unlinked credit of Rs. 44.73 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. Pending reconciliations, the impact thereof on the unaudited standalone financial results are not ascertainable and quantifiable.

9. Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the unaudited standalone financial results by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.

10. Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the unaudited standalone financial results cannot be ascertained and quantified.

11. Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA for Rs 107.44 Crores has been withdrawn by DOT on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability till last year although no further demand is there from DOT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum alloted beyond 6.2 Mhz , directed Govt. to review the demand for spectrum alloted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was alloted before 1-1-2013. As explained , as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand , if any, cannot be more than Rs 455 crs the same is considered as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial results of the Company.

12. The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions, on which Goods and Services Tax (GST) has not been paid. The actual impact of the same on the standalone financial results is not ascertained and quantified.

The above observations/conclusions referred to in Para no. 1 to 12 were subject matter of qualification in the Auditor's Report for the year ended on March 31st, 2020.

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in para no. 1, 2(a), 2(b), 3, 5, 6, 7,8, 9, 10,11 and 12 on the unaudited standalone financial results of the Company is not determinable.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

CA Mukesh Dadhich
Partner
Membership No.: 511741
UDIN: 20511741AAAANB5197

For SPMG & Co.
Chartered Accountants
Firm Registration No.: 509249C

CA Vinod Gupta
Partner
Membership No.: 090687
UDIN: 20090687AAAAHK7847

Place: New Delhi
Date: 11th November, 2020

ANNEXURE – IV

BOARD

RESOLUTIONS

महानगर टेलीफोन निगम लि॰
(भारत सरकार का उद्यम)
Mahanagar Telephone Nigam Ltd.
(A Government of India Enterprise)

MAHANAGAR TELEPHONE NIGAM LIMITED
(A Govt. of India Enterprise)

EXTRACT OF MINUTES OF 339TH MEETING OF THE BOARD OF DIRECTORS OF MAHANAGAR TELEPHONE NIGAM LIMITED HELD ON 14th NOVEMBER, 2019 AT 4:30 PM IN THE CONFERENCE ROOM OF CORPORATE OFFICE AT 5TH FLOOR, MAHANAGAR DOORSANCHAR SADAN, 9 CGO COMPLEX, LODHI ROAD, NEW DELHI-110003.

ITEM NO.14 **SOVEREIGN GUARANTEED BONDS OF RS. 7,500 CRORES AS PER THE CABINET APPROVAL IN RESPECT TO THE REVIVAL OF MTNL.**

The Board noted that the letter to MTNL indicating the amount of Sovereign Guarantee Bonds to be issued by MTNL is yet to be received from DOT. Hence though the item as contained in theAgenda Note is approved, yet the amount will be limited as per the DOT letter to be received by MTNL.

The Board considered the proposal as contained in the Agenda Note. After discussions, the Board accorded its approval to write to DoT for taking up the matter with the Ministry of Finance for providing Sovereign Guarantee of Rs. 7,500 Crores for raising Sovereign Guarantee Bonds of Rs 7,500 Crores as per the Cabinet approval dtd 23.10.2019. The Board passed the following resolutions:

1. *"**RESOLVED THAT** pursuant to section 42 and other applicable provisions of the Companies Act, 2013 and Rules made there under, subject to the approval of the Shareholders by Special Resolution,the Company may raise funds upto Rs. 7,500 Crore through private placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non-Convertible Bonds in the nature of Debentures (NCDs) in one or more tranches."*

2. *"**RESOLVED FURTHER THAT**the Chairman & Managing Director be and is hereby authorized to do from time to time, all such acts, deeds and things as may be deemed necessary in respect of issue of Bonds/Debentures including but not limited to the face value, issue price, issue size, timing, amount, security, coupon/interest rate, yield, listing, allotment and other terms and conditions of issue of Debentures as they may, in their absolute discretion, deem necessary."*

पंजीकृत एवं निगम कार्यालय : महानगर दूरसंचार सदन, 5 वां तल, 9 सी.जी.ओ. कॉम्पलैक्स, लोधी रोड, नई दिल्ली-110003
फोन कार्यालय : 24319020, फैक्स : 24324243
Regd. & Corporate Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003 India
Phone Off.: 24319020, Fax : 24324243
आप हमारे साथ हिन्दी में भी पत्राचार कर सकते हैं।

3. *"**RESOLVED FURTHER THAT**that the Chairman & Managing Director be and is hereby authorized to approve the appointment of Rating Agencies (two), Debenture/Bond Trustee, Collection Banker, Escrow Account Banker, RTA, Stock Exchange for EBP Platform, Arranger, for handling the Bonds/Non-Convertible Debentures issue as per extant procedures.*

4. *"**RESOLVED FURTHER THAT** the CMD, MTNL be and is hereby authorized to take further necessary actions as may be required, on all matters related to issue of bonds including calling the EGM etc.*

CERTIFIED TO BE TRUE COPY

(S.R.SAYAL)
COMPANY SECRETARY

123

CONFIDENTIAL

MAHANAGAR TELEPHONE NIGAM LIMITED

(A GOVT. OF INDIA ENTERPRISE)

NOTE FOR CIRCULATION TO THE BOARD OF DIRECTORS OF MTNL PURSUANT TO SECTION 175 OF THE COMPANIES ACT, 2013 & RULE 5 OF COMPANIES(MEETINGS OF BOARD & ITS POWERS) RULES, 2014 READ WITH ARTICLE 83 OF THE ARTICLES OF ASSOCIATION OF THE COMPANY

***

SUB: Issue of Sovereign Guarantee Bonds of Rs. 7,500 Crores as per the Cabinet approval in respect to the revival of MTNL

1. DoT vides its Office Memorandum dated 29.10.2019 conveyed the approvals of the Union Cabinet held in its meeting dated 23.10.2019 on the subject "**Revival of BSNL and MTNL**" It was conveyed through para no. 2 (vi) that "**Sovereign Guarantee Bonds of Rs 15,000 Crore of tenure of ten years or more to be raised and serviced by BSNL/MTNL for the purpose of debt structuring.**" It is being conveyed that Sovereign Guarantee Bonds of Rs 7,500 Crore out of total approval of Rs 15,000 Crore may be allotted to MTNL. Therefore, MTNL intends to raise bonds upto Rs. **7,500** Crores through private placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs).

2. In view of the above and to meet the requirements of Section 42 of the Companies Act, 2013 read with applicable rules under Rule 14 of the Companies (Prospectus and Allotment of Securities Rules) Rules 2014 for making of private placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs) upto Rs. 7,500 Crores in one or more

tranches to such person or persons, who may or may not be the Bond/Debenture holder of the Company, approval of the shareholders of the company is required by way of Special Resolution which is to be passed by shareholders as per related provisions of Company Act 2013.

3. The Board may therefore kindly consider the above and approve the followings:
   I) Accord their approval for raising funds upto Rs. 7,500 Crores through private placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs) in one or more tranches subject to
      a) passing of special resolution by shareholders and
      b) raising of borrowing limit of MTNL through DoT Presidential approval after Shareholder approval.
   II) In order to effect the above to send following resolutions to EGM for approval

   a) "**RESOLVED THAT** pursuant to section 42 and other applicable provisions of the Companies Act, 2013 and Rules made there under, consent of the Members be and is hereby accorded to the Board of Directors of the Company to raise funds upto Rs. 7,500 Crore through private placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs) in one or more tranches during the year from the date of passing of the resolution."

   b) "**RESOLVED FURTHER THAT** Board of Directors be and is hereby authorized to do From time to time, all such acts, deeds and things as may be deemed necessary in respect of issue of Bonds/Debentures including but not limited to the face value, issue price, issue size, timing, amount, security, coupon/interest rate, yield, listing, allotment and other terms and conditions of issue of Debentures as they may, in their absolute discretion, deem necessary."

4. For bringing the Issue, MTNL needs to appoint the following intermediaries as per related guidelines of SEBI/GoI:-
   a) Rating Agencies (Two)
   b) Debenture/Bond Trustee
   c) Collection Banker
   d) Escrow Account Banker
   e) RTA
   f) Stock Exchange for EBP Platform
   g) Arranger

The Board may kindly authorize the CMD MTNL to approve the appointment of above intermediaries for handling the Bonds/Non Convertible Debentures issue as per extant procedures.

In view of the facts, approval for taking further necessary actions as mentioned below and authorizing CMD to take necessary action on all matters related to issue of bonds:-

(A) Pre-Issue scheduled

a. Board resolution authorizing issue of bonds and delegation of powers by the Board of Directors to designated senior officer(s) at management level of GMs or a committee, for taking further decision related thereto.
b. Appointment of Arrangers to the Issue.
c. Beginning of preparation of Draft Offer Document
d. Company Secretary as Compliance Officer (to be mentioned Offer document)
e. Special Resolution to be passed by shareholders in EGM

125(i)

i. for raising Rs 7,500 Crore on private placement basis under Rule 14 of the Companies [Prospectus and Allotment of Securities Rules] Rules 2014
ii. for enhancing the borrowing limit under section 180 (1) (c) of Companies Act 2013

f. Presidential Approval from DoT as per Article of Association of the MTNL
   i. for raising Rs 7,500 Crore on private placement basis
   ii. for enhancing the borrowing limit

(B) **Constitution** of a committee of senior officers at the level of General Manager for taking further decisions related thereto.

(C) Proposal for other Pre-issue, on Issue and Post Issue activities are given as under for further consideration and approval of the Board of Directors, so that further necessary actions may be taken, with regard to issue of the Bonds:

1. Consent from Rating Agencies.
2. Providing data and information to credit rating agencies.
3. Obtaining and Accepting of Credit Ratings from the rating Agencies.
4. Seeking credit rating letters and rating rationale from the rating agencies.
5. Consent of Registrars and Transfer Agents (RTA) to the issue.
6. Consent of Trustees and seeking consent from them to act in that capacity.
7. Making depository arrangement with NSDL & CDSL for issue of bonds in dematerialized form i.e signing two tripartite Agreements amongst (1).NSDL-MTNL-Registrars, and (2). CDSL-MTNL-Registrars
8. Finalization of issue structure(s) and pricing range(s) for the Issue.
9. Finalization of offer document.
10. Registration with Stock Exchange for Electronic Bidding Platform.
11. Receiving in principle approval for listing the bonds from Stock Exchange and providing Offer document to the stock exchange.

125(2)

(D) **ISSUE SCHEDULE**

1. The Date of Opening of Issue
2. Payment Date of the Issue
3. The Date of Closing of Issue
4. Allotment of Bonds

(E) **POST ISSUE SCHEDULE**

1. Credit of Demat-accounts of all the investors
2. Submission of Listing Application along with application annexure, signing of listing agreement, commencement of trading.
3. Hoisting of Final Offer document on the web site of the stock exchange.
4. Payment of Stamp duty
5. Replacement of initial credit in Demat-accounts (letters of Allotment) with final credit (Bond Certificates)
6. Servicing of Bonds.
7. Submission of the private placement offer letter cum application letter in Form **PAS-4** within 30 days of recording of name
8. Submission of Return of Allotment of securities in Form **PAS-3** with the registrar within 15 days of allotment.

(F) The Board may kindly consider the above proposal for approval and may like to pass the following resolutions in this regard for carrying out the activities from time to time:

1. Resolved that subject to the approval of the President of India under article 69(ii) (D) & 72 (21) of the Articles of Association of the Company, the Chairman & Managing Director be and is hereby authorized to issue private placement of

125(3)

Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs) to the extent of Rs. 7,500 Crores in the denomination of Rs. 10,00,000/- each or in such denomination as decided subsequently based on the consultation with the government and arrangers on Private Placement basis, in accordance with the provisions of the Companies Act, 2013; SEBI Act, 1992 and other applicable guidelines, if any, issued by the Govt. of India in this regard.

2. Resolved that the Chairman & Managing Director be and is hereby authorized to decide the rate of interest on the Bonds in accordance with terms and conditions of MOF letter for bonds based on Sovereign Guarantee to be conveyed

3. Resolved that the Chairman & Managing Director be and is hereby authorized to appoint/ratify the appointment of various agencies such as Rating Agencies, Lead Managers/Arrangers, Bankers, Legal Advisers, Registrars, Trustees and Printers etc. to the issue on such terms and conditions as mutually agreed upon. The Rating agencies, Trustee, Registrar & Transfer agent, Bankers may be engaged on the basis of previous issues without inviting the fresh quotes from the parties.

4. Resolved that the Chairman & Managing Director be and is hereby authorized to incur expenditure towards fees of Arrangers/Managers, for the issue of bonds on private placement basis. The actual cost of Bonds will depend upon the market conditions and various other factors at the time of issue of Bonds.

5. Resolved that the Committee consisting of General Manager (Fin) and Company Secretary be and is hereby authorized to issue the allotment letters to the

125(4)

subscribers on such terms and conditions as approval by the Chairman & Managing Director.

6. Resolved that the necessary trusteeship documents be executed by Director (Finance) or General Manager (Fin) duly approved by CMD on behalf of the Nigam as may be required by the Bond Trustees for setting out terms and conditions relating to Bonds Issue.

7. Resolved that the Common Seal of the Nigam be affixed to the fair stamped engrossment (in duplicate) of the Trusteeship documents in accordance with the provisions of the Article 73 of the Articles of the Associations of the Nigam in the presence of Director (Finance) or Company Secretary who shall sign the same in token of the affixing of the Common Seal of the Nigam to these documents in their presence.

8. Resolved that GM (Finance) and/or Company Secretary be / are hereby authorized to furnish all particulars/ returns and to file documents with Registrar of Companies/SEBI/Stock Exchange/other institutions in respect of issue of Bonds in the appropriate form as may be required.

9. Resolved that for issue of Bonds Certificates in physical form, facsimile signatures of Chairman & Managing Director and Director (Fin) be affixed to the Bond Certificates together with manual signature of GM (Fin)/Company Secretary. Resolved that the Common Seal of the Company be affixed on Bond Certificates by mechanical process in the presence of Director (Fin) and Company Secretary.

10. Resolved that Chairman & Managing Director, Director (Finance) or GM (Fin) and Company Secretary be and are hereby authorized to do or cause to be done all

125(5)

such acts, deeds and things as may be necessary for execution of the said Trusteeship documents and to take follow up action with the Registrar of the Companies/SEBI/Stock Exchange/ other institutions and to do or cause to be done all such acts, deeds and things as may be considered necessary to give effect to the above resolutions.

This note has emanated from Finance Section in consultation with CS Section of MTNL CO and has concurrence of Director (Fin.) and approval of CMD.

2/11/19
(S R Sayal)
Company Secretary

APPROVED

Name:
(DIRECTOR)

EXTRACTS OF THE MINUTES OF THE 341ST MEETING OF THE BOARD OF DIRECTORS OF MAHANAGAR TELEPHONE NIGAM LIMITED HELD ON WEDNESDAY, 22ND JULY, 2020 AT MTNL CORPORATE OFFICE, 5TH FLOOR, MAHNAGAR DOORSANCHAR SADAN, 9 CGO COMPLEX, LODHI ROAD, NEW DELHI- 110003

ITEM NO.13: <u>ISSUE OF SOVEREIGN GUARANTEE BONDS OF RS. 6,500 CRORES AS PER THE SOVEREIGN GUARANTEE LETTER ISSUED BY MINISTRY OF FINANCE IN RESPECT TO THE REVIVAL OF MTNL</u>

The background of the proposal was explained to the Board as per the details contained in the agenda notes. The Board considered the proposal and revalidated its earlier approval granted vide its 339th Meeting held on 14-11-2019, by again according its approval for raising funds upto Rs.6500 crore through Private Placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs) in one or more tranches and for carrying out the activities from time to time . The Board noted the other information with respect to the appointment of M/s SBI Cap Trustee Co Ltd. As Debenture Trustee and M/s Beetal Financial and Computer Services Pvt. Ltd. as Registrar & Transfer Agents (RTA) for the issue.

The Board passed the following resolutions with regard to the issue of Sovereign Guarantee Bonds of Rs. 6500 Crore:

1. "**RESOLVED THAT** subject to the approval of the President of India under article 69(II) (D) & 72 (21) of the Articles of Association of the Company, the Chairman & Managing Director be and is hereby authorized to issue private placement of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs) to the extent of Rs. 6,500 Crore in the denomination of Rs. 10,00,000/- each or in such denomination as may be decided subsequently based on the consultation with the Government and arrangers on Private Placement basis, in accordance with the provisions of the Companies Act, 2013; SEBI Act, 1992 and other applicable guidelines, if any, issued by the Govt. of India in this regard."

2. "**RESOLVED FURTHER THAT** the Chairman & Managing Director be and is hereby authorized to decide the rate of interest on the Bonds in accordance with terms and conditions of Ministry of Finance (MoF) letter for bonds based on Sovereign Guarantee conveyed."

एस. आर. स्याल
S. R. SAYAL
कम्पनी सचिव/Company Secretary
म.टे.नि.लि. निगम कार्यालय/M.T.N.L. Corporate Office
महानगर दूरसंचार सदन/Mahanagar Doorsanchar Sadan
9 C.G.O. Complex, Lodhi Road, New Delhi-3

3. "**RESOLVED FURTHER THAT** the Chairman & Managing Director be and is hereby authorized to appoint/ratify the appointment of various agencies such as Rating Agencies, Lead Managers/Arrangers, Bankers, Advisers, Legal Advisers as may be required, Electronic Book Providers' Platform (EBP), Printers, etc. to the issue on such terms and conditions as may be mutually agreed upon. The Rating agencies and Bankers may be engaged on nomination basis after negotiating with the parties."

4. "**RESOLVED FURTHER THAT** the Chairman & Managing Director be and is hereby authorized to incur expenditure towards fees of Arrangers/Managers, Government Guarantee Fees, Trustee Fees, RTA/Depository Fees, Stock Exchange Fees, Listing Fees, Rating Agency Fees, Stamp Duty, for the issue of bonds on private placement basis. The actual cost of Bonds will depend upon the market conditions and various other factors prevailing at the time of issue of Bonds."

5. "**RESOLVED FURTHER THAT** the Chairman & Managing Director, Director (Finance), GM (Finance), Company Secretary and Standing Committee be and are hereby severally authorized to finalize/approve the terms and conditions of the Information Memorandum, PAS – 4, as per the provisions of The Companies Act, 2013, SEBI (Issue and Listing of Debt Securities) Regulations, 2008 as amended and other applicable laws, rules and regulations."

6. "**RESOLVED FURTHER THAT** at the Chairman & Managing Director, Director (Finance), GM (Finance) and Standing Committee be and are hereby severally authorized to finalize/approve the terms and conditions of the EOI of Arrangers and Electronic Bidding Process of EBP Platform providers."

7. "**RESOLVED FURTHER THAT** the Committee consisting of General Manager (Fin) and Company Secretary be and is hereby authorized to issue the allotment letters to the subscribers on such terms and conditions as may be approved approval by the Chairman & Managing Director."

8. "**RESOLVED FURTHER THAT** the necessary trusteeship documents be executed by Director (Finance) or General Manager (Fin) duly approved by CMD on behalf of the Company (MTNL) as may be required by the Bond Trustees for setting out terms and conditions relating to Bonds Issue."

9. "**RESOLVED FURTHER THAT** the Common Seal of the Company (MTNL) be affixed to the fair stamped engrossment (in duplicate) of the Trusteeship documents in accordance with the provisions of Article 73 of the Articles of the Associations of the Company in the presence of Director (Finance) and Company Secretary who shall sign the same in token of the affixing of the Common Seal of the Company to these documents in their presence."

एस. आर. स्याल
S. R. SAYAL
कंपनी सचिव / Company Secretary
म.टे.नि.लि. निगम कार्यालय / M.T.N.L., Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
[illegible] / 5, CGO Complex, Lodhi Road, New Delhi-3

10. "**RESOLVED FURTHER THAT** GM (Finance) and/or Company Secretary be and is/are hereby authorized to furnish all particulars/ returns and to file documents with the Registrar of Companies/SEBI/Stock Exchanges/other Institutions in respect of issue of Bonds in the appropriate form as may be required."

11. "**RESOLVED FURTHER THAT** for issue of Bonds Certificates in physical form, if necessary, facsimile signatures of Chairman & Managing Director and Director (Fin) be affixed to the Bond Certificates together with manual signature of GM (Fin)/Company Secretary and the Common Seal of the Company be affixed on such Bond Certificates by mechanical process in the presence of Director (Fin) and Company Secretary."

12. "**RESOLVED FURTHER THAT** for all actions for issuing Bonds in the nature of debentures, in Dematerialized form or otherwise and for making all necessary compliances Company Secretary, G.M.(Fin) and Director(Fin) be and are hereby authorized by Chairman & Managing Director whenever and wherever necessary and CMD be and is hereby authorized accordingly."

13. "**RESOLVED FURTHER THAT** Chairman & Managing Director, Director (Finance) or GM (Fin) and Company Secretary be and are hereby authorized to do or cause to be done all such acts, deeds and things as may be necessary for execution of the said Trusteeship documents and to take follow up action with the Registrar of the Companies/SEBI/Stock Exchanges/ other Institutions and to do or cause to be done all such acts, deeds and things as may be considered necessary to give effect to the above resolutions."

Certified to be True Copy

(S.R.Sayal)
(Company Secretary)

एस. आर. स्याल
S. R. SAYAL
कम्पनी सचिव / Company Secretary
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
3, सी.जी.ओ. कॉम्प्लेक्स, नई दिल्ली-3 / 3, C.G.O. Complex, Lodhi Road, New Delhi-3

ANNEXURE – V
SHAREHOLDER RESOLUTIONS

महानगर टेलीफोन निगम लि॰
(भारत सरकार का उद्यम)
Mahanagar Telephone Nigam Ltd.
(A Government of India Enterprise)
CIN: L32101DL1986GOI023501

स्वच्छ भारत
एक कदम स्वच्छता की ओर

EXTRACT OF THE MINUTES OF 32nd ANNUAL GENERAL MEETING OF MAHANAGAR TELEPHONE NIGAM LIMITED HELD ON 28TH SEPTEMBER, 2018 AT 11:30 AM IN THE AUDITORIUM AT 5th FLOOR, MAHANAGAR DOORSANCHAR SADAN, 9, CGO COMPLEX, LODHI ROAD, NEW DELHI-110003.

*****

Item No.5 **To raise the Borrowing Powers of the Board from Rs.18,000 Crores to Rs.25,000 Crores.**

Total of 99.9203% Shareholders voted in favour of the resolution while 0.0797% voted against the resolution. The following resolution was passed as a Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 180(1)(c) and other applicable provisions, if any, of the Companies Act, 2013 and the Articles of Association of the Company and subject to the approval of the President of India, the Board of Directors be and is hereby authorized to borrow from time to time at its discretion and as per requirement, from the banks, financial institutions, mutual funds directly or through issue of bonds to the banks, financial institutions, mutual funds, merchant bankers, PF trusts or the other retirement, superannuation funds or to general public including non-resident and/or from any other source on such terms & conditions as it may deem fit, such sums as may be considered necessary upto the limit of Rs.25,000 crs. outstanding at any one time and that such borrowing shall be exclusive of temporary loans/short terms loans obtained from the company's bankers in the ordinary course of business."

CERTIFIED TO BE TRUE COPY

(S.R.SAYAL)
COMPANY SECRETARY

स्वच्छ भारत
एक कदम स्वच्छता की ओर

EXTRACT OF THE MINUTES OF THE **EXTRA-ORDINARY GENERAL MEETING** OF MAHANAGAR TELEPHONE NIGAM LIMITED HELD ON **WEDNESDAY** THE **8TH JANUARY, 2020** AT **11.30 AM AT THE AUDITORIUM, MAHANAGAR DOORSANCHAR SADAN, 9, CGO COMPLEX, LODHI ROAD, NEW DELHI-110 003.**

****

Item No.1 **To approve the Issue of Non-Convertible Debentures on Private Placement Basis.**

99.89% shareholders voted in favour of the resolution while 0.11% voted against the resolution. The following resolution was passed as Special Resolution:-

*"**RESOLVED THAT** pursuant to the provisions of Section 42 & Section 71 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force and subject to the provisions of the Article of Association of the Company and subject to such other approvals as may be required, approval of the members be and is hereby accorded to authorize the Board of Directors of the Company to offer or invite or invite subscriptions for Govt. Guaranteed, Unsecured, Listed, Redeemable non- convertible debentures in the nature of Bonds (NCDs), in one or more series / tranches, aggregating up to Rs.6500 crores on private placement basis, on such terms and conditions as the Board of Directors of the Company may, from time to time, determine and consider proper and most beneficial to the Company including the timing/date of issue of debenture, the consideration for the issue, utilization of the issue proceeds and all matters connected with or incidental thereto."*

CERTIFIED TO BE TRUE COPY

(S.R.SAYAL)
COMPANY SECRETARY

ANNEXURE – VI
RATING RATIONALE

Ratings

CRISIL
An S&P Global Company

CONFIDENTIAL

MTNL/254801/BOND/092001014/1
November 26, 2020

Mr. P K Purwar
Chairman & Managing Director
Mahanagar Telephone Nigam Limited
MTNL Corporate Office, Mahanagar Door Sanchar Sadan,
Lodhi Road, New Delhi,
South Delhi - 110003

Dear Mr. P K Purwar,

Re: CRISIL Rating on the Rs. 6500 Crore Bonds of Mahanagar Telephone Nigam Limited

All ratings assigned by CRISIL are kept under continuous surveillance and review.
Please refer to our rating letters dated September 15, 2020 bearing Ref. no.: MTNL/254801/BOND/092001014

Please find in the table below the ratings outstanding for your company.

S.No.	Instrument	Rated Amount (Rs. in Crore)	Rating Outstanding
1	Bonds	6500	CRISIL AAA(CE)/Stable

In the event of your company not making the issue within a period of 180 days from the above date, or in the event of any change in the size or structure of your proposed issue, a fresh letter of revalidation from CRISIL will be necessary.

As per our Rating Agreement, CRISIL would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL reserves the right to withdraw or revise the ratings assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information or other circumstances, which CRISIL believes, may have an impact on the rating.

As per the latest SEBI circular (reference number: CIR/IMD/DF/17/2013; dated October 22, 2013) on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at debtissue@crisil.com. This will enable CRISIL to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us for any clarifications you may have at debtissue@crisil.com

Should you require any clarifications, please feel free to get in touch with us.

With warm regards,
Yours sincerely,

Nitesh Jain
Director - CRISIL Ratings

Nivedita Shibu
Associate Director - CRISIL Ratings

A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell, or hold the rated instrument; it does not comment on the market price or suitability for a particular investor. All CRISIL ratings are under surveillance. CRISIL or its associates may have other commercial transactions with the company/entity. Ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers / users / transmitters / distributors of this product. CRISIL Ratings rating criteria are available without charge to the public on the CRISIL web site, www.crisil.com. For the latest rating information on any instrument of any company rated by CRISIL, please contact Customer Service Helpdesk at 1800-267-1301.

Rating Rationale

September 14, 2020 | Mumbai

Mahanagar Telephone Nigam Limited

'CRISIL AAA(CE)/Stable' assigned to Bonds

Rating Action

Rs.6500 Crore Bonds	**CRISIL AAA(CE)/Stable (Assigned)**
Rs.3533.97 Crore Non Convertible Debentures	**CRISIL AAA(CE)/Stable (Reaffirmed)**
Rs.1000 Crore Non Convertible Debentures	**CRISIL AAA(CE)/Stable (Reaffirmed)**
Rs.3000 Crore Non Convertible Debentures	**CRISIL AAA(CE)/Stable (Reaffirmed)**

1 crore = 10 million
Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its **'CRISIL AAA(CE)/Stable'** rating to the Rs 6,500 crore bonds of Mahanagar Telephone Nigam Ltd (MTNL). The rating on the remaining NCDs of MTNL has been reaffirmed at 'CRISIL AAA(CE)/Stable'.

The rating reflects the strength of the credit enhancement provided by the unconditional and irrevocable guarantee from the Government of India (GoI) through the Department of Telecommunications, Ministry of Communications, and the trustee-administered payment mechanism.

GoI's guarantees for all the aforementioned bonds and NCD programmes of MTNL, together with the structured payment mechanism, should ensure that all repayment obligations of the company are met in a timely manner.

Furthermore, GoI's guarantees for all CRISIL-rated bonds and NCD programmes of MTNL are expected to remain unaffected by any change in ownership of MTNL.

The rating also factors in the moratorium availed by MTNL on its bank facilities, in accordance with the relief measures provided by the Reserve Bank of India under the Covid-19 Regulatory Package on March 27, 2020.

Analytical Approach

The rating is fully driven by the unconditional and irrevocable guarantee provided by GoI and the trustee-administered payment mechanism. The rating also factors in GoI's majority stake in MTNL.

Key Rating Drivers & Detailed Description

* **Credit enhancement provided by comprehensive, unconditional and irrevocable guarantee from GoI:** The rating is based on the strength of the credit enhancement facility provided by the unconditional and irrevocable guarantee from the GoI through the Department of Telecommunications, Ministry of Communications.

* **Trustee-administered payment structure, designed to ensure full and timely payment to investors:** A well-defined payment T-structure between MTNL, GoI and SBICAP Trustee Company Ltd (trustee) should ensure timely servicing of interest and principal obligations on the bonds and NCDs. Furthermore, a designated trust and retention account has been opened exclusively for the benefit of the trustee (on behalf of the bondholders).

Liquidity Superior

The rated bonds and NCDs derive comfort from the liquidity based on the guarantee structure (unconditional and irrevocable guarantee from the GoI through the Department of Telecommunications, Ministry of Communications), which should ensure timely servicing of debt.

Outlook: Stable

The rating outlook on the rated bonds and NCDs reflects CRISIL's outlook on the credit quality of GoI, the guarantor to the rated debt.

Rating Sensitivity Gactors

Downward factors

* Non-adherence to terms of the transaction guarantee structure/payment mechanism
* Delays in receipt of funds in the designated account
* Any change in support philosophy of GoI.

Adequacy of credit enhancement structure

GoI has provided a comprehensive, unconditional and irrevocable guarantee for the rated bonds and NCDs. The guarantee shall not be transferrable to any agency without prior approval of the Ministry of Finance (budget division). The well-defined T-structure should ensure timely payment of the interest and principal obligations.

Unsupported ratings: CRISIL BBB

CRISIL has introduced the 'CE' suffix for instruments with an explicit credit enhancement feature, in compliance with Securities and Exchange Board of India's circular dated June 13, 2019.

Key drivers for unsupported ratings

For arriving at the unsupported rating, CRISIL has combined the business and financial risk profiles of MTNL and its subsidiaries (refer to the annexure), as they are in related businesses and have common promoters. The financial risk profile of the company remains weak because of accumulated losses, high debt levels and negative networth and cash accrual. However, CRISIL has applied its parent notch-up for government support to the entity.

About the Issuer

MTNL was set up by the GoI in April 1986 to improve the quality of telecommunication (telecom) services, expand the telecom network and introduce new telecom services in Delhi and Mumbai. MTNL has a large backhaul capacity of transmission cables, towers and optical fibres in the two circles. The company had 3.35 million subscribers for mobile services and 3.08 million customers with fixed-line telephone connections as of June 2020.

Key Financial Indicators (Consolidated)

Particulars	Unit	2020	2019
Revenue	Rs Crore	1570	2035
Profit After Tax (PAT)	Rs Crore	-3696	-3390
PAT Margin	%	-235	-167
Adjusted debt/adjusted networth	Times	-1.42	-1.54
Interest coverage	Times	-0.47	-0.47

These are CRISIL-adjusted numbers and may not match directly with the numbers reported by the company

List of covenants

The material covenants of the bonds amounting to Rs 6,500 crore are as follows:

- The GoI would only cover the principal amount and the normal interest.
- The guarantees would not be transferrable to any agency without prior approval of the budget division, Department of Economic Affairs, Ministry of Finance. In case of default, the lending agency shall invoke the guarantee within a time limit not exceeding 60 days of the default. In case the guarantee is not invoked within the stipulated period, the guarantee would cease to exist for that portion of the tranche/loan/liability for which guarantee has not been invoked.
- The government guarantee shall reduce periodically equivalent to the repayment that ought to have been made by the borrower as per the terms and conditions of the loan agreement. This will be subject to the consition above.
- The trustee-monitored payment mechanism for these bonds is listed as folllows:

Payment structure for bonds amounting to Rs 6,500 crore:

Trigger Date	Action Point
(T-30)th day*	Trustees to inform MTNL and the GOI in writing regarding the due date for payment of interest and/or principal amount so that the necessary arrangements could be made for meeting the interest payment/principal repayment obligations on the bonds.
(T-10)th day*	The designated trust and retention account is to be funded by MTNL for the interest/principal obligations on the bonds.
(T-8)th day*	If the designated trust and retention account is not funded to the requisite extent by day T-8, the trustees shall forthwith invoke the GOI guarantee by sending a notice if Invocation to GOI.
(T-3)th day*	Last date by which the GOI shall deposit requisite funds in the designated trust and retention account as per the notice of invocation served by the trustees.

NOTE: 'T' refers to the due date for interest payments/ principal repayments.

If any coupon payment date falls on a day that is not a business day, the payment shall be made by the issuer on the following working day, in line with SEBI circular number CIR/IMD/DF-1/122/2016 dated November 11, 2016.

If the redemption date (also being the last coupon payment date) of the bonds falls on a day that is not a business day, the redemption proceeds shall be paid by the issuer on the immediately preceding business day along with interest accrued on the bonds until but excluding the date of such payment.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL complexity levels are assigned to various types of financial instruments and are included (where applicable) in the Annexure -- Details of Instrument in this Rating Rationale. For more details on the CRISIL complexity levels, please visit www.crisil.com/complexity-levels.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Crore)	Complexity level	Rating Assigned with outlook
INE153A08014	Non-Convertible Debentures	28-Mar-13	8.57%	28-Mar-23	1005.00	Simple	CRISIL AAA(CE)/Stable
INE153A08022	Non-Convertible Debentures	05-Dec-13	9.38%	05-Dec-23	1975.00	Simple	CRISIL AAA(CE)/Stable
INE153A08030	Non-Convertible Debentures	26-Mar-14	9.39%	26-Mar-24	765.00	Simple	CRISIL AAA(CE)/Stable
INE153A08048	Non-Convertible Debentures	19-Nov-14	8.24%	19-Nov-24	1400.00	Simple	CRISIL AAA(CE)/Stable
INE153A08055	Non-Convertible Debentures	19-Nov-14	8.28%	19-Nov-24	100.00	Simple	CRISIL AAA(CE)/Stable
INE153A08063	Non-Convertible Debentures	19-Nov-14	8.24%	19-Nov-24	0.07	Simple	CRISIL AAA(CE)/Stable
INE153A08071	Non-Convertible Debentures	28-Nov-14	8.29%	28-Nov-24	2268.90	Simple	CRISIL AAA(CE)/Stable
NA	Non-Convertible Debentures*	NA	NA	NA	20.00	Simple	CRISIL AAA(CE)/Stable
NA	Bonds*	NA	NA	NA	6500.00	Simple	CRISIL AAA(CE)/Stable

**Yet to be placed*

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Mahanagar Telephone (Mauritius) Ltd	Fully consolidated	Strong financial and business linkages
Millennium Telecom Ltd	Fully consolidated	Strong financial and business linkages
MTNL STPI IT Services Ltd	Equity method	Proportionate consolidation
United Telecommunications Ltd (Utl), Nepal	Equity method	Proportionate consolidation

Annexure - Rating History for last 3 Years

	Current			2020 (History)		2019		2018		2017		Start of 2017
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	0.00 14-09-20	CRISIL AAA(CE)/Stable		--		--		--		--	--
Non Convertible Debentures	LT	5713.97 14-09-20	CRISIL AAA(CE)/Stable			31-12-19	CRISIL AAA(CE)/Stable	24-12-18	CRISIL AAA(SO)/Stable	29-12-17	CRISIL AAA(SO)/Stable	CRISIL AAA(SO)/Stable
						07-09-19	CRISIL					

							AAA(CE)/Stable						

All amounts are in Rs.Cr.

Links to related criteria
CRISILs Approach to Financial Ratios
CRISILs Bank Loan Ratings - process, scale and default recognition
Criteria for rating instruments backed by guarantees
Rating Criteria for Mobile Telephony Services
CRISILs Criteria for Consolidation
Criteria for Notching up Stand Alone Ratings of Entities Based on Government Support

For further information contact:

Media Relations	Analytical Contacts	Customer Service Helpdesk
Saman Khan Media Relations **CRISIL Limited** D: +91 22 3342 3895 B: +91 22 3342 3000 saman.khan@crisil.com **Naireen Ahmed** Media Relations **CRISIL Limited** D: +91 22 3342 1818 B: +91 22 3342 3000 naireen.ahmed@crisil.com	**Sachin Gupta** Senior Director - CRISIL Ratings **CRISIL Limited** D:+91 22 3342 3023 Sachin.Gupta@crisil.com **Nitesh Jain** Director - CRISIL Ratings **CRISIL Limited** D:+91 22 3342 3329 nitesh.jain@crisil.com **ROUNAK AGARWAL** Rating Analyst - CRISIL Ratings **CRISIL Limited** D:+91 22 3342 4162 ROUNAK.AGARWAL@crisil.com	Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301 For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com For Analytical queries: ratingsinvestordesk@crisil.com

Note for Media:
This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites, portals etc.

About CRISIL Limited

CRISIL is a leading agile and innovative, global analytics company driven by its mission of making markets function better. We are India's foremost provider of ratings, data, research, analytics and solutions. A strong track record of growth, culture of innovation and global footprint sets us apart. We have delivered independent opinions, actionable insights, and efficient solutions to over 1,00,000 customers.

We are majority owned by S&P Global Inc., a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: TWITTER | LINKEDIN | YOUTUBE | FACEBOOK

About CRISIL Ratings
CRISIL Ratings is part of CRISIL Limited ("CRISIL"). We pioneered the concept of credit rating in India in 1987. CRISIL is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI"). With a tradition of independence, analytical rigour and innovation, CRISIL sets the standards in the credit rating business. We rate the entire range of debt instruments, such as, bank loans, certificates of deposit, commercial paper, non-convertible / convertible / partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 24,500 large and mid-scale corporates and financial institutions. CRISIL has also instituted several innovations in India in the rating business, including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We also pioneered a globally unique rating service for Micro, Small and Medium Enterprises (MSMEs) and significantly extended the accessibility to rating services to a wider market. Over 1,10,000 MSMEs have been rated by us.

CRISIL PRIVACY

CRISIL respects your privacy. We may use your contact information, such as your name, address, and email id to fulfil your request and service your account and to provide you with additional information from CRISIL.For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer forms part of and applies to each credit rating report and/or credit rating rationale that we provide (each a "Report"). For the avoidance of doubt, the term "Report" includes the information, ratings and other content forming part of the Report. The Report is intended for the jurisdiction of India only. This Report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the Report is to be construed as CRISIL providing or intending to provide any services in jurisdictions where CRISIL does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this Report does not create a client relationship between CRISIL and the user.

We are not aware that any user intends to rely on the Report or of the manner in which a user intends to use the Report. In preparing our Report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the Report is not intended to and does not constitute an investment advice. The Report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind or otherwise enter into any deal or transaction with the entity to which the Report pertains. The Report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Rating are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities / instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL assumes no obligation to update its opinions following publication in any form or format although CRISIL may disseminate its opinions and analysis. CRISIL rating contained in the Report is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the Report should rely on their own judgment and take their own professional advice before acting on the Report in any way.CRISIL or its associates may have other commercial transactions with the company/entity.

Neither CRISIL nor its affiliates, third party providers, as well as their directors, officers, shareholders, employees or agents (collectively, "CRISIL Parties") guarantee the accuracy, completeness or adequacy of the Report, and no CRISIL Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Report. EACH CRISIL PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. CRISIL's public ratings and analysis as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any) are made available on its web sites, www.crisil.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee – more details about CRISIL ratings are available here: www.crisilratings.com.

CRISIL and its affiliates do not act as a fiduciary. While CRISIL has obtained information from sources it believes to be reliable, CRISIL does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and / or relies in its Reports. CRISIL keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of CRISIL may have information that is not available to other CRISIL business units. CRISIL has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL has in place a ratings code of conduct and policies for analytical firewalls and for managing conflict of interest. For details please refer to: https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html

CRISIL's rating criteria are generally available without charge to the public on the CRISIL public web site, www.crisil.com. For latest rating information on any instrument of any company rated by CRISIL you may contact CRISIL RATING DESK at CRISILratingdesk@crisil.com, or at (0091) 1800 267 1301.

This Report should not be reproduced or redistributed to any other person or in any form without a prior written consent of CRISIL.

All rights reserved @ CRISIL

No. CARE/DRO/RL/2020-21/2931
Shri Milind Vijay Joshi
Director (Finance)
Mahanagar Telephone Nigam Limited
Room No. 4520, Mahanagar Doorsanchar Sadan, 4th Floor,
9, CGO Complex, Lodhi Road,
New Delhi
Delhi 110003

December 01, 2020

Confidential

Dear Sir,

Credit rating for Long-term instrument- Bonds

Please refer to our letter no. **CARE/DRO/RL/2020-21/2299** dated September 24, 2020 and your request for revalidation of the rating assigned to the Long-term instruments- Bonds of your company, for a limit of Rs.6500.00 crore.

2. Our Rating Committee has reviewed the following rating(s):

Sr. No.	Instrument	Amount (Rs. crore)	Rating[1]	Rating Action
1.	Bonds	6,500.00*	CARE AAA (CE); Stable [Triple A (Credit Enhancement); Outlook: Stable]	Reaffirmed
	Total Instruments	6,500.00 (Rs. Six Thousand Five Hundred Crore Only)		

**Out of which Rs. 4361.40 crore has been already raised by the company.*

3. The above ratings are based on the on the credit enhancement in the form of unconditional and irrevocable guarantee from the Government of India (G0I), supported by a structured payment mechanism.
4. Please arrange to get the rating revalidated, in case the proposed issue is not made within **six months** from the date of this letter.
5. Please inform us the below-mentioned details of issue immediately, but not later than 7 days from the date of placing the instrument:

[1]*Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

Instrument type	ISIN	Issue Size (Rs cr.)	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Trustee/IPA	Details of top 10 investors

6. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the debt instruments, CARE shall carry out the review on the basis of best available information throughout the life time of such instruments. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
9. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.
10. CARE ratings are **not** recommendations to buy, sell, or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

HKaur

Gaurav Dixit

Harneet Deepak Chaudhary
Deputy Manager
harneet.chaudhary@careratings.com

Gaurav Dixit
Associate Director
gaurav.dixit@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 ● Fax: +91-11-4533 3238

13th Floor, E-1 Block, Videocon Tower, Jhandewalan Extension, New Delhi - 110 055.
Tel: +91-11-4533 3200 ● Fax: +91-11-4533 3238

Mahanagar Telephone Nigam Limited

September 25, 2020

Ratings

Facilities	**Amount (Rs. crore)**	**Rating[1]**	**Rating Action**
Long-term Instruments (Bonds – Proposed)	**6,500.00[1]**	**CARE AAA (CE); Stable (Triple A (Credit enhancement); Outlook: Stable)**	**Assigned**
Total facilities	**6,500.00[1] (Rupees Six Thousand Five Hundred crore only)**		

Details of instruments in Annexure I

[1]Backed by the Credit enhancement in the form of unconditional and irrevocable guarantee from Government of India (G0I), supported by a structured payment mechanism.

Unsupported Rating[2]	CARE BBB

Note: Unsupported Rating does not factor in the explicit credit enhancement

Detailed Rationale & Key Rating Drivers

The rating assigned to the long term instrument of Mahanagar Telephone Nigam Limited (MTNL) is based on the Credit Enhancement in the form of unconditional and irrevocable guarantee from the Government of India (G0I), supported by a structured payment mechanism. Further, the rating also factors in majority holding of Government of India (GoI (56.25% holding as on June 30, 2020), continuous support in the past & expected support in the upcoming years to MTNL from GoI (as GoI had announced revival plan of MTNL and BSNL on October 23, 2019) and strategic importance of MTNL for GoI.

The standalone rating considers the majority shareholding of GoI and the presence of nominee directors appointed by GoI on the board of MTNL. The rating also factors in the Navratna Status given to the company. However, these rating strengths are partially offset by its weak operational and financial performance as reflected in its continuing losses over the past few years.

MTNL has sought moratorium on payments from its lenders as part of the COVID-19 - Regulatory Package announced by the RBI on March 27, 2020 and May 22, 2020. The moratorium has been approved by the bankers of MTNL. CARE has not recognized this instance as a default, as the same is permitted by the RBI as part of the relief measures announced recently. Non-recognition of default in this case is as per the guidance provided by the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020.

Key Rating Sensitivities

Negative Sensitivities:

- Any change in GoI's ownership in MTNL or change in the focus/support from GoI to MTNL.
- Non-adherence to the trustee administered structure payment mechanism by any of the parties to the transaction.

Detailed description of the key rating drivers

Key Rating Strengths

Credit enhancement for the Sovereign Guarantee Bonds in the form of Unconditional and irrecoverable guarantee from GoI

The bond issue is backed by an unconditional and irrevocable guarantee from GoI through the Department of Telecommunications (DoT, Ministry of Communication & Information Technology) for servicing the entire bond issue (both principal amount as well as the accrued interest).

Trustee-administered structured payment mechanism, designed to ensure full and timely payment to bond holders

A trustee-monitored payment mechanism will be put in place to ensure the timely payment of the interest & principal obligations on the bond issue through a tripartite agreement between MTNL, Trustee (M/s SBICAP Trustee Company Limited) and the GoI. The trustee will facilitate timely servicing of MTNL's obligations by DoT even if MTNL does not have sufficient funds to do so.

[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

[2] As stipulated vide SEBI circular no SEBI/ HO/ MIRSD/ DOS3/ CIR/ P/ 2019/ 70 dated June 13, 2019. As per this circular, the suffix 'CE' (Credit Enhancement) is assigned to the ratings with explicit external credit enhancement, against the earlier used suffix 'SO' (Structured Obligation).

Following is the structured payment mechanism for the bond issue of Rs. 6,500.00 crore:

Trigger Date	Action Point
(T- 30)th day*	Trustees to inform MTNL and the GOI in writing regarding the due date of the payment of interest and / or principal amount so that the necessary arrangements could be made for meeting the interest payment / principal repayment obligations on the Bond.
(T-10)th day*	The designated Trust and Retention account is to be funded by MTNL to the tune of the interest/principal obligations on the Bonds.
(T-8)th day*	If the designated Trust and Retention account is not funded to the requisite extent by (T-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to GOI.
(T-3) day*	Last date by which GOI to deposit requisite funds in the designated Trust and Retention Account as per the Notice of Invocation served by the trustees.

*T being the due date for payment of interest/repayment of principal of the bond. In the event of mentioned day not being a Business Day, it would be taken to indicate next Business Day.

As the company issued sovereign guarantee bonds earlier as well which also have trustee-monitored payment mechanism, this mechanism has already been tested. The key differences in the new mechanism are:

1. Last date by which GoI is to deposit requisite funds in the designated Trust and Retention Account as per the Notice of Invocation served by the trustees has now been moved up to T-3rd day, in the earlier mechanism it was T-1.

Majority ownership of Government of India

MTNL is one of the only two state owned telecom service provider in India along with Bharat Sanchar Nigam Limited (BSNL). Government of India (GoI) holds the majority stake in MTNL (56.25% as on June 30, 2020). The company enjoys 'Navratna Status', a status that gives greater autonomy to Central Public Sector Enterprises (CPSEs) in their investment and capital expenditure decisions. Such a status also aims at facilitating expansion of its operations both in the domestic and global markets. The rest of the 43.75% of the shareholding is held by the public.

Support from Government of India (GoI)

Keeping in mind the legacy as well as strategically important nature of MTNL, GoI is looking at various options to work out long term revival strategy of the Company and has meanwhile continued to support the company's funding requirements through issuance of Letter of Comfort. Department of Telecom, Government of India (GoI) has provided Letter of Comfort (LOC) for ensuring timely payment of MTNL's bank borrowings.

Further, GoI on 23rd Oct 2019 had announced the revival package for BSNL & MTNL. Under the revival plan, a VRS scheme is approved by the Government with 14387 employees opting for VRS. The ex gratia payout is also to be borne by the GOI. Also, for the allocation of 4G spectrum to MTNL, GoI will be infusing preference shares in MTNL which in turn will be used to pay the Spectrum charges to the GoI. The Government has also accorded its approval to issue bonds to the tune of Rs. 6,500 Cr. backed by Sovereign Guarantee from GOI for MTNL and land assets of MTNL will also be monetized in order to maximize the returns & support in reducing the debt levels. GOI has also agreed in principle for the merger of BSNL & MTNL for achieving operational synergy on PAN India basis.

Liquidity

The liquidity profile of MTNL is adequate. The liquidity & financial profile of MTNL is being supported by GoI. There have been continuous operational losses in the past on account of subdued industry scenario, low ARPU due to ongoing price war after the entry of RJio, and various schemes offered by MTNL to sustain its market shares and to further attract new customers and intense competition within the industry. MTNL had a cash & bank balance of Rs 142.68 crore as on March 31, 2020. MTNL has sought moratorium on payments from its lenders as part of the COVID-19 - Regulatory Package announced by the RBI on March 27, 2020 and May 22, 2020. After availing the moratorium, the debt obligations which are payable in FY21 are for Rs 9400.33 crore (including lease obligations). The current ratio stood at 0.50x as on March 31, 2020. Further, the company's liquidity position is expected to improve post conclusion of VRS resulting in savings of ~Rs. 1700 crore in terms of employee cost. Additionally, the proceeds from monetization of assets will aid the liquidity of the company.

GoI through Department of Telecom (DoT) has provided Letter of Comfort for its bank borrowings stating that GOI will ensure timely payment of interest and repayments to Banks/FIs due from MTNL. Further, an amount of Rs. 25,000 crore has been approved in the annual general meeting of the company for bank borrowing & sovereign bonds sanctioned for capex & working capital borrowings in FY21, for which the presidential approval has been received on September 21, 2020. The bank borrowings are backed by LOC from GoI and the sovereign bonds are backed by unconditional & irrevocable guarantee from GoI.

Key Rating Weakness

High employee cost leading to losses

MTNL has large employee base and the staff cost absorbs a very high percentage of the revenue of the company. MTNL's staff cost was about Rs.2124 crore in FY20 (Rs.2272 crore in FY19) which is around 95% of its total operating income in FY20 (around 88% in FY19). The decrease in the staff cost in FY20 is on account of the employees who opted for VRS from Jan 2020. Savings on accounts of the same for partial two months has led to lower employee cost in FY20 vis-à-vis FY19. This cost is further expected to fall going forward.

Analytical approach: The rating is based on the Credit enhancement in the form of unconditional and irrevocable guarantee from Government of India (GOI) operating through a trustee-administered structured payment mechanism for timely transfer of the required funds for repayment of principal and interest to a designated account. The rating also factors in the GoI's majority stake (56.25% of the equity) in MTNL.

Applicable Criteria

Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Rating Methodology - Consolidation and Factoring Linkages in Ratings
Rating Credit Enhanced Debt
Rating Methodology-Mobile Service Providers
Financial ratios – Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Entities

About the company

Mahanagar Telephone Nigam Limited (MTNL) was incorporated by Government of India (GoI) in 1986 with the aim of upgrading the quality of telecom services, expanding the telecom network and introducing new services for India's key metros Delhi and Mumbai. MTNL has been given Navratna status in 1997 and was listed in New York Stock Exchange in 2001.

Presently, MTNL is providing a host of telecom services that include fixed telephone service, GSM, Internet, Broadband, ISDN and Leased Line services. MTNL has been the first to launch some of the latest telecom technologies in the country like ADSL2+ & VDSL2 in broadband, IPTV on MPEG4 technology, VOIP and 3G Mobile service. As on Mar 31, 2020, MTNL has total subscriber base of 6.45 million consisting of 3.36 million wireless subscribers (0.29% market share) and 3.09 million wireline subscriber base (15.30% market share).

MTNL is also providing telecommunication services beyond Indian boundaries through its Joint Ventures and Subsidiaries. MTNL is present in Nepal through its Joint Venture United Telecom Limited (UTL) and in Mauritius through its 100% subsidiary Mahanagar Telephone Mauritius Limited (MTML).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Income from Operations	2575.37	2227.02
PBILDT	-733.62	-1011.10
PAT	-3390.19	-3695.68
Overall gearing (times)	NM	NM
Interest Coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities:

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Long-term Instruments (Bonds - Proposed)	-	-	-	6500.00	CARE AAA (CE); Stable

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Debentures-Non Convertible Debentures	LT	2980.00	CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (03-Apr-20)	-	1)CARE AAA (SO); Stable (01-Oct-18)	1)CARE AAA (SO); Stable (06-Oct-17)
2.	Debentures-Non Convertible Debentures	LT	765.00	CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (03-Apr-20)	-	1)CARE AAA (SO); Stable (01-Oct-18)	1)CARE AAA (SO); Stable (06-Oct-17)
3.	Bonds	LT	3768.97	CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (03-Apr-20)	-	1)CARE AAA (SO); Stable (01-Oct-18)	1)CARE AAA (SO); Stable (06-Oct-17)
4.	Fund-based - LT-Term Loan	-	-	-	-	-	-	-
5.	Fund-based - LT-Bank Overdraft	-	-	-	-	-	-	-
6.	Fund-based - ST-Term loan	-	-	-	-	-	-	-
7.	Fund-based - LT-Term Loan	-	-	-	-	-	-	-
8.	Term Loan-Long Term	LT	11350.00	CARE AA+ (CE); Stable	1)CARE AA+ (CE); Stable (03-Apr-20)	1)CARE AA+ (CE); Stable (25-Dec-19)	1)CARE AAA (SO); Stable (11-Mar-19)	-
9.	Term Loan-Short Term	ST	1180.00	CARE A1+ (CE)	1)CARE A1+ (CE) (03-Apr-20)	1)CARE A1+ (CE) (25-Dec-19)	1)CARE A1+ (SO) (11-Mar-19)	-
10.	Fund-based - ST-Bank Overdraft	ST	6830.00	CARE A1+ (CE)	1)CARE A1+ (CE) (03-Apr-20)	1)CARE A1+ (CE) (25-Dec-19)	1)CARE A1+ (SO) (11-Mar-19)	-
11.	Term Loan-LT/ST	LT/ST	2640.00	CARE AA+ (CE); Stable / CARE A1+ (CE)	1)CARE AA+ (CE); Stable / CARE A1+ (CE) (03-Apr-20)	1)CARE AA+ (CE); Stable / CARE A1+ (CE) (25-Dec-19)	1)CARE AAA (SO); Stable / CARE A1+ (SO) (11-Mar-19)	-
12.	Un Supported Rating-Un Supported Rating (LT/ST)	LT/ST	0.00	CARE BBB; Stable / CARE A3	1)CARE BBB; Stable / CARE A3 (03-Apr-20)	1)CARE BBB; Stable / CARE A3 (25-Dec-19)	-	-
13.	Long-term Instruments (Bonds – Proposed)	LT	6500.00	CARE AAA (CE); Stable	-	-	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities – NA

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Long-term Instruments (Bonds – Proposed)	Simple

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Contact us

Media Contact
Name: Mradul Mishra
Contact no: +91-22-6837 4424
Email ID: mradul.mishra@careratings.com

Analyst Contact 1
Name: Gaurav Dixit
Contact no: +91-11 - 4533 3235
Email ID: gaurav.dixit@careratings.com

Analyst Contact 2
Name: Ravleen Sethi
Contact no: +91-11 - 4533 3251
Email ID: ravleen.sethi@careratings.com

Business Development Contact
Name: Swati Agrawal
Contact no: +91-11-4533 3200
Email ID: swati.agrawal@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer
CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.
Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

Brickwork Ratings India Pvt. Ltd.
3rd Floor, Raj Alkaa Park, Kalena Agrahara,
Bannerghatta Road, Bengaluru - 560 076
P: +91 80 4040 9940 | F: +91 80 4040 9941

BWR/NCD/HO/CRC/VI/0453/2020-21
December 1, 2020

Mr. MV Joshi
Director - Finance
Mahanagar Telephone Nigam Ltd
Khurshid Lal Bhawan, Janpath
New Delhi - 110001

Dear Sir,

Sub: Validation of Rating - Mahanagar Telephone Nigam Ltd - NCD issue of ₹ 6500 Crores with a tenor of up to 10 years

Ref: Your email dated Nov 21, 2020 and Nov 25, 2020

We wish to advise that your Company's aforementioned NCD Issue of ₹ 6500 Crores carries a rating of **BWR AAA (CE)/Stable** as advised vide our letter 'BWR/NCD/HO/CRC/VI/0281/2020-21' dated September 21, 2020. The rating is valid upto September 20, 2020. We note that the company has raised ₹ 4361.40 Crores till now out of the total issue.

Instruments with this rating are considered to have the **Highest Degree of Safety** regarding timely servicing of financial obligations. Such instruments carry **Lowest Credit Risk.**

Please note that all the terms and conditions of our earlier letter remains unchanged. On completion of borrowing, please furnish details of transaction, security creation and other aspects related to the borrowing.

Best Regards,

Vipula Sharma
Director – Ratings
Brickwork Ratings India Pvt Ltd

Note: Rating Rationale of all accepted Ratings are published on Brickwork Ratings website. All non-accepted ratings are also published on Brickwork Ratings web-site . Interested persons are well advised to refer to our website www.brickworkratings.com, If they are unable to view the rationale, they are requested to inform us on brickworkhelp@brickworkratings.com.

Disclaimer: Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the

jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.

The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "**BWR Party**") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, www.brickworkratings.com. More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.

RATING RATIONALE

21 September 2020

Mahanagar Telephone Nigam Ltd

Brickwork Ratings assigns a rating for the proposed NCD Issue amounting to ₹ 6500 Crores of Mahanagar Telephone Nigam Ltd

Particulars

Instrument	Amount (₹ Crs)	Tenure	Rating*
Proposed NCD	6500	Long Term	BWR AAA (CE)/Stable
Total	**6500**	**INR Six Thousand Five Hundred Crores Only**	

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings
Note: The unsupported rating of the company has been assessed at BWR BBB- (Stable)/

Rating Action / Outlook

Brickwork Ratings (BWR) has assigned BWR AAA (CE)/Stable to the proposed NCD issue of Mahanagar Telephone Nigam Ltd (MTNL).

The rating for the NCD issue has derived a credit enhancement from the sovereign guarantee available from the GoI, along with a structured payment mechanism, to ensure timely debt servicing to the bondholders.

The rating draws strength from the ownership of the company (majorly owned by the GoI), its strategic importance to the government, the structured payment mechanism for the servicing of dues to bondholders and the successful implementation of the Voluntary Retirement Scheme (VRS) for the company's employees, with the entire payouts for ex-gratia and pension liabilities under the scheme to be borne by the GoI through budgetary allocations. Moreover, the entire liability for gratuity of GPF opted employees under VRS was also borne by GoI. It has been noted by BWR that certain developments have also taken place with respect to other measures announced by the GoI as part of the company's revival package. The merger of MTNL with BSNL (Bharat Sanchar Nigam Ltd) and monetisation of some of the company's real estate assets is under active consideration of GoI through DIPAM route. However, the monetisation process may take some time on account of the current weak market scenario. Budgetary allotment of 4G spectrum is already made by GoI. Allocation of frequency/spectrum and CAPEX need of MTNL for 4G are under review of DoT/GoI.

The ratings are also constrained on account of the current weak operational and financial performance and intense competition in the sector.

BWR has also noted that MTNL has only identified the minimum capex owing to its limited financial flexibility. However, continuous capex towards technological upgradation and network improvement is imperative to remain competitive in the sector.

The outlook has been kept as Stable as the company is expected to become EBITDA neutral in FY21 on account of employee costs being saved owing to the implementation of the VRS. MTNL has already reported small EBITDA profits in Q4 FY20 and Q1 FY21.

Key Rating Drivers

Credit Strengths:

Availability of Sovereign Guarantee for Bonds: The GoI has provided a sovereign guarantee for the proposed bonds vide its letter dated 20 August 2020, which will cover both the principal and normal interest due to bondholders. The DoT will review the utilisation of funds raised under the issue and the guarantee on an annual basis to ensure there is no risk of default in the repayment of principal or interest to bondholders.

Structured Payment Mechanism for Bonds: The bonds also have a structured payment mechanism to ensure the timely payment of dues to bondholders. MTNL will open a designated Trust and Retention Account (TRA) that will be monitored by a Debenture Trustee (DT) and through which the payments will be made to the bondholders. The mechanism is as explained below:

- T-30th Day: Trustee to inform MTNL and the GoI in writing regarding the due date for the payment of the interest/principal amount so that necessary arrangements could be made.
- T-10th Day: The TRA is to be funded by MTNL to the tune of the interest/principal obligations on the bonds.
- T-8th Day: If the TRA is not funded to the requisite extent, the DT shall invoke the Guarantee by sending a Notice of Invocation to the GoI.
- T-3rd Day: The last date by which the GoI shall deposit requisite funds in the TRA as per the Notice of Invocation served by the DT.

Ownership and Strategic Importance: MTNL's majority ownership is with the Government of India (GoI) with demonstrated support from the GoI in the form of providing guarantees and a letter of comfort for the company's debt. Additionally, the company is of strategic importance to the government, considering that post the merger with BSNL, it will be the only public sector undertaking in the telecom sector. Furthermore, the government relies on MTNL, in addition to BSNL, for implementing its various projects such as BharatNet and NFS (Network for Spectrum) projects.

Successful Implementation of VRS: The cabinet, on 23 October 2019, approved a revival scheme for both BSNL and MTNL. Under the revival package, the GoI had approved a VRS for all employees aged 50 years and above. The entire ex-gratia, as well as pension liability under the scheme, will be borne by the GoI through a budgetary allocation. The ex-gratia on the VRS was to be paid in two instalments of 50% each during FY20 and Q1FY21. In total, 14387 employees have opted for a VRS in MTNL. The ex-gratia payment for these employees amounts to Rs. 2619.88 Crs. Of this, the DoT has already sanctioned Rs. 2398 Crs to MTNL. With a significant reduction in the workforce, the company's monthly employee cost has reduced by ~ Rs. 160 Crs.

Monetisation of Assets: Under the approved revival package, the cabinet had also advised the monetisation of some of the company's real estate assets to improve its liquidity position. Details of 28 properties in Delhi, 23 properties in Mumbai, 7 shops-cum-office-spaces and 494 staff quarters have been submitted to the Department of Investments and Public Assets Management (DIPAM). Under Phase-I of the monetisation process, bids have been invited for the properties in Mumbai. Given that these are high-valued properties, it will be difficult to liquidate these assets in the current challenging market scenario; however, if the company is able to execute a few deals, it will add up to the profits and liquidity significantly.

Credit Risks:

Current Weak Operational and Financial Performance: The company has been reporting huge operating and net losses. The company's major revenue comes from landline users, and with the reduction in the usage of landline services, ARPUs have been coming down continuously. In the GSM segment also, the company's performance remains weak, with a negligible ARPU in comparison with the private telcos. This, coupled with a high employee cost, led to significant operating, as well as net losses until FY20. While the employee cost will reduce now with the implementation of the VRS, any increase in revenues and ARPUs relies heavily on the company's ability to compete with private players, improve usage and increase its subscriber base.

Analytical Approach and Applicable Rating Criteria

BWR has relied on the company's audited financial statements until FY20, financial projections and various other developments to arrive at the rating.

BWR has derived credit enhancement for the rating assigned to the bonds from the sovereign guarantee available from the GoI, including a structured payment mechanism for paying dues to bondholders.

The methodology applied by BWR is highlighted in the criteria mentioned in the end.

Rating Sensitivities

Negative: Any major loss of subscribers, dilution in the expected support from the GoI and the company's inability to monetise a major chunk of assets over the next two years

Liquidity Position: Adequate

As on 30 March 2020, the company reported cash and cash equivalents of Rs. 155.70 Crs. MTNL also has sanctioned working capital limits of Rs. 6800 Crs, which helps in meeting the company's short-term requirements. The company's liquidity position has also improved with the implementation of the VRS, resulting in a monthly saving of ~ Rs. 160 Crs in terms of employee costs. In addition, the proceeds from monetisation of assets will aid the company's liquidity.

Company Profile

MTNL was set-up on 1 April 1986 by the GoI to upgrade the quality of telecom services, expand the telecom network, introduce new services and to raise revenue for telecom development needs of India's key metro cities of Delhi and Mumbai. MTNL is the principal provider of fixed-line telecommunication services in Delhi and Mumbai. It offers mobile services in Delhi, including four peripheral towns Noida, Gurgaon, Faridabad and Ghaziabad, and Mumbai, along with areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation. The company is listed on both the BSE and NSE.

Key Financial Indicators

Particulars	Units	FY19 (A)	FY20 (A)
Revenue from Operations	Rs. Crs	1987.80	1536.36
EBITDA	Rs. Crs	-1320.96	-1472.64
PAT	Rs. Crs	-3390.20	-3695.68
Total Debt	Rs. Crs	19691.94	22965.57
Tangible Net Worth	Rs. Crs	-12836.84	-16351.86
Total Debt/TNW	Times	-1.53	-1.40

Note: All financials have been reclassified as per BWR standards.

Non-cooperation With Previous Rating Agency If Any: NA

Rating History for the past three years (including suspended/withdrawn ratings)

Instrument	Current Rating			Rating History		
	Tenure	Amount (₹ Crs)	Rating	2019	2018	2017
Bonds						
NCD Issue	Long Term	6500	BWR AAA (CE)/Stable	NA	NA	NA
Total		**6500**	**INR Six Thousand Five Hundred Crores Only**			

Complexity Levels Of The Instruments

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference To Applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Infrastructure Sector]
- [Rating based on Government Support]
- [Credit Enhancement]

Analytical Contacts	Investor and Media Relations
Aakriti Sharma **Assistant Manager - Ratings** Board: +91 11 2341 2232 Ext: 111 aakriti.s@brickworkratings.com **Vipula Sharma** **Director– Ratings** Board: +91 80 4040 9940 vipula.s@brickworkratings.com	Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented "as is" without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.

ANNEXURE – VII
DEBENTURE TRUSTEE CONSENT

Corporate Office : Apeejay House, 6th Floor, 3, Dinshaw
Wachha Road, Churchgate, Mumbai - 400 020
Phone : 022-4302 5555 Fax : 022-2204 0465
Email : helpdesk@sbicaptrustee.com

SBICAP Trustee Company Ltd.

Ref.no./SBICTCL/DT/2020-21 **Date: 11th September 2020**

MAHANAGAR TELEPHONE NIGAM LIMITED
Mahanagar Doorsanchar Sadan, 9 CGO Complex,
New Delhi–110003

Issue of Government of India Guaranteed, Unsecured, Listed, Redeemable, Rated, Taxable, Non-Convertible Bonds in the nature of Debentures issue of upto maximum Rs. 6500 crores on Private placement basis by Mahanagar Telephone Nigam Limited ("Company")

We, the undersigned, do hereby consent to act as a Debenture Trustee to the Issue and to our name being inserted as the Debenture Trustee to the Issue in the 'Offer document /Private placement offer letter' to be filed by the Company with the Indian stock exchanges where the Bonds are proposed to be listed (the "**Stock Exchanges**") and any other document intended to be filed with Stock Exchanges, SEBI and other regulatory or statutory authority in respect of the Issue. The following details with respect to us may be disclosed:

Name	: SBICAP Trustee Company Limited
Address	: 4th Floor, 123, Mistry Bhavan, 3, Dinshaw Wachha Road, Churchgate, Mumbai- 400020
Tel	: 022 43025555
E-mail	: corporate@sbicaptrustee.com
Investor Grievance e-mail:	investor.cell@sbicaptrustee.com
Website	: www.sbicaptrustee.com
Contact Person	: Ms. Anupama Naidu, Company Secretary Tel No. 022 43025503
SEBI Registration Number:	IND000000536

We confirm that we are registered with SEBI and that such registration is valid as on the date of this letter. We enclose a copy of our registration certificate. We also confirm that we have not been prohibited by SEBI to act as an intermediary in capital market issues. We further confirm that no enquiry/investigation is being conducted by SEBI on us.

We further confirm that we have not received any communication from SEBI prohibiting us from acting as the intermediary:

We confirm that we will immediately inform the Company of any change, additions or deletions in respect of the matters covered in this certificate till the date when the Bonds offered, issued and allotted pursuant to the Issue, are admitted for trading on the Stock Exchanges. In the absence of any such communication from us, the above information should be taken as updated information until the listing and trading of Bonds on the Stock Exchanges.

We hereby authorise you to deliver this letter of consent to the Stock Exchanges and any other regulatory or statutory authority as required.

Sincerely,
For SBICAP Trustee Company Limited

Harish Aithappa Shetty

Digitally signed by Harish Aithappa Shetty
DN: c=IN, o=Personal,
2.5.4.20=bc275fde2ca46855fe454a6a95f42f983d16fae5ab134ba1808bd27a02458ce8,
postalCode=400053, st=Maharashtra,
serialNumber=93e8d20a6d6b8bb1042a954c08d813d71f6511ac8de638cb9b1aac41d1354204,
cn=Harish Aithappa Shetty
Date: 2020.09.11 10:07:52 +05'30'

Name: Harish Shetty
Designation: Senior Manager

डिबेंचर न्यासी

प्ररूप ख
FORM-B

DEBENTURE TRUSTEE

भारतीय प्रतिभूति और विनिमय बोर्ड
SECURITIES AND EXCHANGE BOARD OF INDIA
(डिबेंचर न्यासी) विनियम, 1993
(DEBENTURE TRUSTEE) REGULATIONS, 1993

000256

(विनियम 8)
(Regulation 8)

(Regulation 8A)

रजिस्ट्रीकरण प्रमाणपत्र
PERMANENT REGISTRATION
CERTIFICATE OF REGISTRATION

1) बोर्ड, भारतीय प्रतिभूति और विनिमय बोर्ड अधिनियम, 1992 के अधीन डिबेंचर न्यासी के लिए बनाए गए नियमों और विनियमों के साथ पठित उस अधिनियम की धारा-12 की उपधारा (1) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए,

1) In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the rules and regulations made thereunder for the debenture trustee the Board hereby grants a certificate of registration to

SBICAP TRUSTEE COMPANY LIMITED
202, MAKER TOWER, "E" WING
20TH FLOOR, CUFF PARADE
MUMBAI – 400005
MAHARASHTRA

को नियमों में, शर्तों के अधीन रहते हुए और विनियमों के अनुसार डिबेंचर न्यासी के रूप में रजिस्ट्रीकरण का प्रमाणपत्र इसके द्वारा प्रदान करता है।

as a debenture trustee subject to the conditions in the rules and in accordance with the regulations.

2) डिबेंचर न्यासी के लिए रजिस्ट्रीकरण कूट है।

2) Registration Code for the debenture trustee is IND000000536

3) जब तक नवीकृत न किया जाए, रजिस्ट्रीकरण का प्रमाणपत्र से तक विधिमान्य है।

3) Unless renewed, the certificate of registration is valid from to

3) This Certificate of Registration shall be valid for permanent, unless suspended or cancelled by the Board

आदेश से
भारतीय प्रतिभूति और विनिमय बोर्ड
के लिए और उसकी ओर से
By order
For and on behalf of
Securities and Exchange Board of India

स्थान Place : MUMBAI

तारीख Date : OCTOBER 06, 2015

MEDHA SONPAROTE
प्राधिकृत हस्ताक्षरकर्ता Authorised Signatory

Jai Kaushal

ANNEXURE – VIII
GUARANTEE LETTER
AND
PRESIDENTIAL APPROVAL

F. No. 12(19)-B(SD)/2020
Government of India
Ministry of Finance
Department of Economic Affairs
Budget Division
***

Room No. 221A, North Block,
New Delhi, the 25 August, 2020.

OFFICE MEMORANDUM

Subject: Non-transferability clause in respect of Govt. Guarantee to BSNL/MTNL-reg.

The undersigned is directed to refer to Deptt. of Telecommunications's letter No. 30-5/2015-PSU Affairs dated 13.08.2020 seeking removal of non-transferability clause in respect of Govt. Guarantee of ₹ 15000 crore issued to BSNL/MTNL and to state that following terms and conditions are applicable in respect of Govt. guarantee to BSNL and MTNL for ₹ 8500 crore and ₹ 6500 crore respectively:

(i) BSNL/MTNL will pay guarantee fee at 1% to the Govt. (guarantee fees charged for domestic borrowings). The rate of guarantee fee is to be applied on the amount outstanding at the beginning of the guarantee year. If the guarantee fee is not paid on the due date, fee should be charged at double the normal rates for the period of default.

(ii) The Government of India Guarantee would only cover the principal amount and the normal interest.

(iii) The above guarantee shall not be transferable to any agency without the prior approval of Budget Division, DEA, MoF.

(iv) Deptt. of Telecommunications shall review proper utilisation of the guaranteed funds and will also review the guarantees annually to ensure that there is no risk of default in repayment of loans together with interest thereon as well as the guarantee fee payable to the Government of India.

(v) Review of the Guarantee shall be ensured as provided under Rule

281 of GFRs 2017.

(vi) Deptt. of Telecommunications shall enter into a back-to-back guarantee fee agreement with BSNL/MTNL on the terms and conditions of guarantee and guarantee fee etc.

(vii) In case of default, the lending agency shall invoke the Guarantee within a time limit not exceeding 60 days of the default. In case the guarantee is not invoked within the stipulated period, the guarantee would cease to exist for that portion of the tranche/loan/liability for which guarantee has not been invoked.

(viii) The Govt. guarantee shall reduce periodically equivalent to the repayment that ought to have been made by the borrower as per terms and conditions of loan agreement. This will be subject to condition (vii) above.

2. This issues with the approval of Finance Minister.

(Sanjay Rawat)
Under Secretary (Budget)

Joint Secretary (Admin)
(Shri Navneet Gupta)
Department of Telecommunications
Sanchar Bhawan, New Delhi.

F.No.30-5/2015-PSU Affairs
Government of India
Ministry of Communications
Department of Telecommunications
[Office of JS(Admin) - PSU Division]

New Delhi, dated: 02.09.2020

ORDER

Sub: Presidential Approval to raise long-term Sovereign Guarantee Bonds of Rs. 15000 crore (Rs. 8500 crore for BSNL & Rs. 6500 crore for MTNL) of tenure 10 years or more by BSNL and MTNL - regarding

Kindly refer to the DOT letter no. 30-5/2015-PSU Affairs dated 03.08.2020, vide which Presidential Approval to raise long-term Sovereign Guarantee Bonds of Rs. 15000 crore (Rs. 8500 crore for BSNL & Rs. 6500 crore for MTNL) of tenure 10 years or more by BSNL and MTNL, subject to the terms & conditions contained in the Budget Division, Department of Economic Affairs, OM no. 12(16)-B(SD)/2020 dated 08.07.2020, was conveyed.

2. In this regard, a revised Sovereign Guarantee no. 12(19)-B(SD)/2020 dated 20.08.2020 has been received from the Budget Division of Department of Economic Affairs replacing the Clause III of the earlier Sovereign Guarantee. The revised clause is as follows:

Clause III in the Sovereign Guarantee dated 08.07.2020

"Guarantee given by Government of India shall be non transferrable and would cease to exist in case the ownership of the entity is transferred from Government of India, unless the Guarantee is re-confirmed by the Budget Division."

Clause III in the Revised Sovereign Guarantee dated 20.08.2020

"The above Guarantee shall not be transferable to any agency without the prior approval of Budget Division, DEA, MoF"

3. Accordingly, Sanction of the President of India is hereby conveyed to raise long-term Sovereign Guarantee Bonds of Rs. 15000 crore (Rs. 8500 crore for BSNL & Rs. 6500 crore for MTNL) of tenure 10 years or more by BSNL and MTNL, subject to the terms & conditions contained in the Budget Division, Department of Economic Affairs, OM no. 12(19)-B(SD)/2020 dated 20.08.2020 (**Copy Enclosed**).

Nitin Bansal

4. This issues with the concurrence of Member (Finance) vide Dairy No. 3078 dated 24.08.2020.

Jitin Bansal

(Jitin Bansal)
Director (PSU Affairs)
Tel: 011-23096142

To

1. The Chairman-cum-Managing Director
   Bharat Sanchar Nigam Limited
   New Delhi.
2. The Chairman-cum-Managing Director
   Mahanagar Telephone Nigam Limited
   New Delhi.

Copy to:

1. PS to Hon'ble MOC
2. PS to Hon'ble MoSC
3. Department of Economic Affairs, Ministry of Finance
4. PPS to Secretary (T)
5. PPS to Member (F) / Member (T) / AS(T)

ANNEXURE – IX
REGISTRAR AND TRANSFER AGENT CONSENT

BEETAL

REF: - BTL / MD / BONDS / MTNL

21.11.2020

Assistant General Manager
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sada,
5th Floor, 9 CGO Complex, Lodhi Road,
New Delhi-110003

Dear Sir,

Subject: - Our Appointment as Registrar & Share Transfer Agent for the Proposed Bond Issue by MTNL

This has reference to your email dated 21.11.2020 regarding your forthcoming bond issue of Rs.2,138.60 Cr. in the month of December 2020 and asked us for consent to act as RTA for your proposed Bond Issue.

In this respect we give our consent to act as RTA for the proposed Bond Issue on the existing terms and conditions.

This is for your kind information please.

Thanking you and assuring our best and prompt services at all the times.

Yours faithfully,

For **BEETAL**
Financial & Computer Services Pvt. Ltd.

(S. P. Gupta)
Vice President

BEETAL FINANCIAL & COMPUTER SERVICES (P) LTD.

BEETAL HOUSE, 3rd Floor,
99 Madangir, Behind LSC, New Delhi - 110062

T : 011 2996 1281-83
F : 011 2996 1284

beetal@beetalfinancial.com
www.beetalfinancial.com

Registrars & Share Transfer Agent

SEBI Registration Code : INR 000000262

CIN No.:- U67120DL1993PTC052486

ANNEXURE – X

TRI PARTITE AGREEMENT

INDIA NON JUDICIAL

Government of National Capital Territory of Delhi

e-Stamp

सत्यमेव जयते

Certificate No.	: IN-DL77850589805584S
Certificate Issued Date	: 09-Sep-2020 02:48 PM
Account Reference	: IMPACC (PF)/ dl907913/ DELHI/ DL-DLH
Unique Doc. Reference	: SUBIN-DLDL90791363042209884438B
Purchased by	: MAHANAGAR TELEPHONE NIGAM LTD
Description of Document	: Article 5 General Agreement
Property Description	: Not Applicable
Consideration Price (Rs.)	: 0 (Zero)
First Party	: MAHANAGAR TELEPHONE NIGAM LTD
Second Party	: SBI CAP TRUSTEE CO LTD AND OTHERS
Stamp Duty Paid By	: MAHANAGAR TELEPHONE NIGAM LTD
Stamp Duty Amount(Rs.)	: 300 (Three Hundred only)

.......Please write or type below this line.......

This stamp paper forms an integral part of Guarantee Agreement dated 09th September, 2020

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9 सी.जी.ओ. कॉम्प्लेक्स लोधी रोड, नई दिल्ली-110003
9 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

सत्यमेव जयते

INDIA NON JUDICIAL

Government of National Capital Territory of Delhi

e-Stamp

Base Certificate No.	:	IN-DL77850589605564S
Certificate No.	:	IN-DL77851793287224S
Certificate Issued Date	:	09-Sep-2020 02:50 PM
Account Reference	:	IMPACC (PF)/ dl907913/ DELHI/ DL-DLH
Unique Doc. Reference	:	SUBIN-DLDL90791363044912493494S
Purchased by	:	MAHANAGAR TELEPHONE NIGAM LTD
Description of Document	:	Article 5 General Agreement
Property Description	:	Not Applicable
Consideration Price (Rs.)	:	0 (Zero)
First Party	:	MAHANAGAR TELEPHONE NIGAM LTD
Second Party	:	SBI CAP TRUSTEE CO LTD AND OTHERS
Stamp Duty Paid By	:	MAHANAGAR TELEPHONE NIGAM LTD
Stamp Duty Amount(Rs.)	:	200 (Two Hundred only)

Please write or type below this line

This stamp paper forms integral part of Guarantee Agreement dated 09th September, 2020.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L., Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
5, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
5, C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

GUARANTEE AGREEMENT

THIS DEED OF GUARANTEE (the "Deed") is made at New Delhi, on this 09th day of September, of the year Two Thousand and Twenty.

Among

THE PRESIDENT OF INDIA, on behalf of the GOVERNMENT OF INDIA and acting through Joint Secretary (Admin), Department of Telecommunications, Ministry of Communications, Government of India, Sanchar Bhawan, 20, Ashoka Road, New Delhi-110001 (hereinafter referred to as "**GOI**", which expression shall, unless be repugnant to the subject or context thereof, includes his/her successor in office) of the First Part.

And

M/s SBICAP Trustee Company Limited, a company registered under the Companies Act, 1956, having its registered office at 202, Maker Tower-'E'. Cuffe Parade, Colaba, Mumbai-400005 and also having corporate office at 123, Mistry Bhawan, 4th Floor, 3, Dinshaw Wachha Road, Churchgate, Mumbai- 400020; Tel. No.011-43072287; E-mail: corporate@sbicpatrustee.com and Branch office at 610, 6th Floor, Ansal Bhawan, K.G. Marg, New Delhi-110001 (hereinafter referred to as the "**Trustee**", which expression shall, unless be repugnant to the subject or context thereof, include the Trustee(s) for the time being and their successors, assignees, transferees, novatees and assigns) of the Second Part.

And

MAHANAGAR TELEPHONE NIGAM LIMITED, incorporated as a Public Limited Company under the Companies Act, 1956 with corporate identification number L32101DL1986GOI23501 and having its Registered Office and Corporate Office at MAHANAGAR DOORSANCHAR SADAN, 9 CGO COMPLEX, LODHI ROAD, NEW DELHI – 110003 hereinafter referred to as (the **"MTNL"** and/or "**Company**", which expression shall, unless be repugnant to the subject or context thereof, include their successors, assignees, transferees, novatees and assigns) in its capacity as a "**Confirming Party**", of the Third Part.

WHEREAS:

1. MTNL through the **"Information Memorandum"** offered for subscription on private placement basis 65,000 (Sixty Five Thousand only) Govt. of India Guaranteed, Unsecured, Rated, Listed, Redeemable, Non-Convertible, Taxable Bonds in the nature of Debentures of face value of Rs. 10,00,000/- (Rs. Ten lacs only) each for cash at par aggregating to Rs. 6,500 crores (Rs. Six Thousand Five Hundred crores) for the purposes mentioned in the **"Information Memorandum"**.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. वित्त कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स लोधी रोड नई दिल्ली-110003
9, C.G.O. Complex, Lodhi Road, New Delhi-110003

(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

2. The Trustee has agreed to act as a Trustee for the Holders of the Bonds on the condition that the Company shall approach GoI to issue an unconditional and irrevocable guarantee in favour of the Trustee as security for the obligations of the MTNL to the Holders of the Bonds and the Trustee.

3. For the purpose of providing sufficient security to the Investors proposing to subscribe to the said Bonds about the ability of MTNL to service the said Bonds, the following course has been proposed to be undertaken:

(a) GoI shall unconditionally and irrevocably guarantee the servicing of the 10 years bonds with Bullet repayment of principal at the end of 10 year period and repayment of normal interest over the period of ten years.

(b) The above Guarantee given by the GOI shall not be transferable to any agency without the prior approval of Budget Division, DEA, MoF.

(c) M/s SBICAP Trustee Company Limited (STCL) shall be the Trustee for the Bonds issued and upon request being made by the Trustees in accordance with this Agreement for invoking the guarantee offered; the GoI shall make available the requisite funds into the designated Trust and Retention account for servicing the Bonds and duly complying with the commitments undertaken thereunder.

(d) The Information Memorandum to the extent not being in conflict with this Agreement shall form part of this Agreement.

4. In the circumstances recited above, the parties hereto are entering into and executing the present agreement with a view to provide for various matters and obligations to be undertaken by the parties to make funds available in the designated Trust and Retention accounts as may be required for servicing and redemption of the bonds.

NOW THEREFORE IN CONSIDERATION OF THE PREMISES, COVENANT AND CONDITIONS HEREIN CONTAINED, IT IS HEREBY AGREED BETWEEN THE PARTIES AS FOLLOWS:-

i. **DEFINITIONS**

For the purpose of this Deed, the following expressions listed below shall have the meanings hereinafter mentioned, that is to say:

(i) **"AGREEMENT"** shall mean this written Agreement including the Annexures annexed hereto and made part thereof.

(ii) **"ADEQUATE FUNDS"** means the amount of monies required for payment of principal amount of the Bonds issued by the Company,

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार भवन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
9, C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

accrued Interest thereon and any other amount due towards the Holders of the Bonds on each of the due dates.

(iii) **"APPROPRIATE AUTHORITY"** shall mean appropriate official of GOI, being the Secretary of the Department of Telecommunications, Ministry of Communications, Government of India, or failing him, any person duly authorized by GOI or in case of re-designation, such other re-designated person or such other official as designated by Competent Authority. --

(iv) **"BANK"** means Bank of India, CGO Complex, New Delhi-110001.

(v) **"BONDS"** shall mean 65,000 (Sixty Five Thousand only) Government of India Guaranteed, Unsecured, Rated, Redeemable, Listed, Non-Convertible, Taxable Bonds in the nature of Debentures of the face value of Rs 10 lakhs each for cash at par of the aggregate nominal value of up to Rs 6,500 Crores (Rupees Six Thousand Five Hundred Crores only) issued by the MTNL on a private placement basis in one or more tranches during the financial year 2020-21.

(vi) **"BOND HOLDER(S)"** or **"Holders of the Bonds"** shall mean the several person(s)/ entity(ies) who are holders/(s) of the Bond(s) for the time being, who hold the Bonds in physical form and whose names have been entered in the Register of Bond Holders maintained by the MTNL or who hold the Bonds in Electronic (Dematerialized) Form, whose names appear in the list of Beneficial owner(s) given/held by the Depositories viz. NSDL or CDSL as the case may be.

(vii) **"DUE DATE"** shall mean any or all dates during the term of the Bonds on which any payment of Principal and/or Interest in relation to the Bonds falls due for payment by the MTNL to the Bond Holders and/or to the Trustees under this Agreement and/or the Disclosure Document and/or the Trustee Agreement or other Agreements entered/to be entered into in pursuance thereof.

(viii) **"DESIGNATED TRUST AND RETENTION ACCOUNT "** shall mean the no lien account opened/to be opened by the MTNL with the Bank for the specific purpose mentioned herein;

(ix) **"DEFAULT"** shall mean failure to make Adequate Funds available for the Designated Trust & Retention Account at least 8 (Eight) days prior to each of the Due Dates for repayment of Principal and 8 (Eight) days before each of the Due Dates for payment of Interest. The payment mechanism for repayment of Principal and Interest has been set out in the **Annexure II**

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
9 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

(x) **"GUARANTEE"** or **"GOVERNMENT GUARANTEE"** shall mean unconditional and irrevocable guarantee and continuing obligation for payment of principal amount of the Bonds issued by the Company, accrued Interest thereon and any other amount due towards the Bond Holders agreed to be guaranteed by the GOI in favour of the Trustees vide orders bearing no. **12(19)-B(SD)/2020 dated 20.08.2020** (**Annexure I**) in terms of this Agreement.

(xi) **"NOTICE OF INVOCATION"** shall mean the Notice to be issued by the Trustee to GOI requiring GOI to fund the Designated Trust & Retention Account, at least 3 days before the Due Date pursuant to the provisions of this Agreement.

(xii) **"Offer Document/Disclosure Document"** shall mean the **"Information Memorandum"** for Private Placement of Bonds issued/to be issued by the MTNL in conformity with extant SEBI guidelines and other document(s) for inviting subscription to the Bonds.

(xiii) **"OUTSTANDING"** from time to time shall mean, the actual aggregate outstanding towards the Principal and Interest accrued in relation to the Bonds being due and payable to the Bondholder(s).

(xiv) **"PRINCIPAL"** means the principal amount of the Bonds.

(xv) **"TRUSTEES"** shall mean the Trustees for the Bondholders and shall in the first instance mean **M/s SBICAP TRUSTEE COMPANY LIMITED (STCL)** and in the event of any change or substitution of Trustees, such Trustees as approved by the Bondholders, shall mean such substituted Trustees who shall be appointed with prior approval of the Bondholders.

(xvi) **"INTEREST"** shall mean the interest at the coupon rate as set out in the Disclosure Document for issue of Bonds. The first Interest payment shall be made half year after the Issue Date and the subsequent Interest payments shall be made half yearly thereafter;

(xvii) **"TRUSTEE AGREEMENT"** shall mean the Agreement to be entered into, between the Trustee and the MTNL.

(xviii) **"GUARANTOR'S PAYMENT DATE"** shall mean a date not later than at least Three days prior to Due Date, as set out in **Annexure II**.

(xix) **"ISSUE DATE"** shall mean [date] i.e. the date on which Bonds are allotted.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
5 सी.जी.ओ. कॉम्प्लैक्स, लोधी रोड, नई दिल्ली-110003
5, C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

(xx) **"TRANSACTION DOCUMENTS"** shall mean and include this Agreement, the Disclosure Document, the Trustee Agreement or any other Agreements entered into in relation to the issuance of the Bonds.

(xxi) **"Coupon Payment Date"** shall mean [date] i.e. the date on which coupon will be paid.

(xxii) **"Redemption Date"** means shall mean [date] i.e. date on which Principal will be repaid.

1-B INTERPRETATIONS

Capitalised terms used but not defined in this Agreement shall have the respective meaning ascribed to them in the Information Memorandum or the Trustee Agreement, as the case may be. The principles of construction set forth in the Trustee Agreement, shall apply to this Agreement as if expressly set out in full herein with each reference to "this Agreement" therein being, deemed to be reference to this Agreement.

1.1 Words denoting singular number only shall include plural number and vice-versa. Words denoting one gender only shall include the other gender. Words denoting persons only shall include companies and bodies corporate.

1.2 All references in these presents to any provisions of any statute shall be deemed also to refer to the Statute, modification or re-enactment thereof or any Statutory Rule, Order or Regulation made thereunder or under such re-enactment.

1.3 All references in these presents to Annexures, Schedules, Clauses, Sub-clauses, Paragraphs or Sub-paragraphs shall be construed as reference respectively to the Annexures, Schedules, Clauses, Sub-clauses, Paragraphs and Sub-paragraphs of these presents.

2. GOI'S REPRESENTATIONS AND WARRANTIES:

GOI represents and warrants that:

2.1 GOI has obtained all consents, approvals and permissions as are necessary for or in connection with the execution, performance, validity and enforceability of this Agreement.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
9, C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

2.2 GOI has full power to execute, deliver and enter into this Agreement and to perform the obligations expressed to be assumed by it herein,

2.3 This Agreement constitutes a direct and general obligation of the GOI as contained herein.

2.4 The liability of GOI under this agreement shall be limited to bullet repayment of principal at the end of 10 years and normal interest thereon.

2.5 The Guarantee given by the GOI shall not be transferable to any agency without the prior approval of Budget Division, DEA, MoF.

2.6 The liability of GOI under this Agreement shall not be affected nor shall the Guarantee be discharged or diminished by reason of:

i) any renewal, variation, modification of the terms of the Bonds between the MTNL and the Trustees and/or Bondholders, provided, however, the prior written concurrence or consent of GOI shall always be obtained for any variation, alteration or modification of the terms and conditions of the Bonds which shall result in change in the redemption period and interest rate of the Bonds and/or result in enhancement of liability or guarantee obligations of GOI.

ii) the granting of time or any indulgence to the MTNL by the Trustees and/or Bondholders; and/or

iii) any forbearance by the Trustees to sue the MTNL or to defer the recovery of the servicing of Bonds from the MTNL: and/or

iv) any litigation/ legal process/dispute/arbitration proceedings or claims of any nature between the MTNL and the Trustee and/or the Bondholders, their Agents, Servants or any persons acting on their behalf.

3. **GOI's CONFIRMATIONS:**

GOI agrees, declares, and confirms that during the subsistence of the Bonds and the Trustee Agreement-

3.1 Upon receipt of Notice of Invocation from the Trustees as stated in Clause 4.4 herein below, GOI shall, at least 3 day prior to the Due Date, transfer into the **"Designated Trust & Retention Account"**, Adequate Funds due and payable to the Bondholders to the extent outstanding and notified by the Trustees.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L., Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
9 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

4. **OBLIGATIONS OF THE VARIOUS PARTIES:**

4.1 The GOI shall cause the MTNL to open a no lien Designated Trust & Retention Account with the Bank of India for meeting the debt servicing obligations to the Bondholders. The **"Designated Trust & Retention Account"** shall be held by the Bank to the order of the Trustees.

4.2 The Trustees shall within 30 days before the due date inform the MTNL and the GOI in writing regarding the due date of the Bonds and the corresponding principal and accrued interest amount so that the necessary arrangements could be made for meeting the Principal and accrued Interest repayment obligation.

4.3 The Designated Trust & Retention Account is to be funded adequately by the MTNL as per Schedule set out in **Annexure II** before the Due Date to the tune of the Principal and/or accrued Interest repayment obligation of the Bonds.

4.4 In case the Designated Trust & Retention Account is not funded by the MTNL to the requisite extent as per the Schedule set out in **Annexure II** before the due date for payment of Interest and/ or Principal, the Trustee shall forthwith invoke the GOI Guarantee by sending Notice of Invocation of the Guarantee to the GOI.

4.5 The GOI shall without demur, reservations and recourse, at least 3 (Three) days before the due date, deposit/ transfer the Principal and/or accrued Interest amount in the Designated Trust & Retention Account as per the Notice of Invocation of Guarantee by the Trustee.

4.6 The Trustee may make more than one demand under the Guarantee.

4.7 In case of default by the MTNL, the Trustees shall invoke the GOI Guarantee forthwith so that GOI can transfer the fund to the Designated Trust & Retention Account before the Due Date but the invocation should be within 60 days from the commencement of default. In case, the Guarantee is not invoked within the stipulated period of 60 days, GOI shall not be liable to pay any interest beyond the commencement of default. Further, in case the Guarantee is not invoked within the stipulated period of 60 days, the Guarantee shall cease to exist only for that portion of demand for which the GOI Guarantee has not been invoked.

4.8 The Trustee shall intimate the GOI, through the Secretary, Department of Telecommunications, Ministry of Communications or any other designated official to pay the amounts as may be required

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स लोधी रोड, नई दिल्ली-110003
9, C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

for servicing of the Bonds on the relevant due date. The change in the address of the Secretary, Department of Telecommunications, Ministry of Communications or any other designated official will be intimated to the Trustees by the GOI. In the event of the change of address not being communicated to the Trustees, Notice sent at the old address shall be valid and binding. The address for the purpose of Notice is as under :

Secretary,
Department of Telecommunications,
Ministry of Communications
Government of India, Sanchar Bhawan,
20 Ashoka Road, New Delhi- 110001.
Email: *secy-dot@nic.in*

4.9 The Designated Trust & Retention Account shall not be discontinued/ closed during the subsistence of the Trustee Agreement and/or until the entire servicing of Bonds is completed, without the prior written approval of the Trustee.

4.10 The Bonds and all due and payable outstanding related thereto shall be secured by this unconditional, absolute and irrevocable guarantee by the GOI. The Guarantee given by the GOI shall not be transferable to any agency without the prior approval of Budget Division, DEA, MoF.

5. MISCELLANEOUS

i) This Agreement shall be effective on and from the date of allotment of Bonds and shall be in force till all the obligations in respect of the Bonds under this Agreement have been fully paid and discharged and thereafter all the Parties will be released of their respective rights and obligations.

ii) The Courts at Delhi shall have the exclusive jurisdiction in respect of any matter, claim or dispute arising out of or in any way relating to this Agreement.

iii) It is hereby expressly agreed that any modification, amendments, alteration and/ or variation in the terms of this Agreement shall be made only after obtaining the written consent of the Parties regarding the proposed amendments to this Agreement.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
9 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

6. **ARBITRATION:-**

(i) In event of any dispute or difference between the parties hereto, such disputes or differences shall be resolved amicably by mutual consultation. If such resolution is not possible, then the unresolved dispute or difference shall be referred to arbitration of the sole Arbitrator to be appointed by the Secretary, Department of Telecommunications, Ministry of Communications on the recommendation of the Secretary, Department of Legal Affairs **("Law Secretary")**, and Government of India. The provisions of Arbitration and Conciliation Act, 1996 (No.26 of 1996) shall be applicable to the arbitration. The venue of such arbitration shall be at Delhi or any other place, as may be decided by the Arbitrator. The language of arbitration proceedings shall be English. The Arbitrator shall make a reasoned award **(the "Award")**, which shall be final and binding on the parties. The cost of the arbitration shall be shared equally by the parties to the agreement. However, expenses incurred by each party in connection with the preparation, presentation shall be borne by the party itself.

(ii) Pending the submission of and/or decision on a dispute, difference or claim or until the arbitral award is published; the Parties shall continue to perform all of their obligations under this Agreement without prejudice to a final adjustment in accordance with such award.

IN WITNESS WHEREOF this Agreement executed in triplicate and all the three the Parties hereto have caused to be executed the same by their respective officials/ Constituted Attorney on the day, month and year first above written.

SIGNED AND DELIVERED BY the
For and on behalf of President of India,

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

(------------------),
Joint Secretary (A),
Department of Telecommunications,
Ministry of Communications
Government of India, Sanchar Bhawan, 20, Ashoka Road,
New Delhi- 110001.
in the presence of:

(SANJEEV GUPTA)
DDG (DM) DoT

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L., Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्पलेक्स, लोधी रोड, नई दिल्ली–110003
9 C.G.O. Complex, Lodhi Road, New Delhi–110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार

1. (   )

[ ],
Government of India,
Department of Telecommunications,
Ministry of Communications
Government of India, Sanchar Bhawan, 20 Ashoka Road, New Delhi-110001.

SIGNED AND DELIVERED BY
SBICAP TRUSTEE COMPANY LIMITED by the hand of Mr, Lt MANAN OBEROI
in the presence of :-

For SBICAP TRUSTEE COMPANY LTD.

Authorised Signatory

1. (Vinod Kumar)

Vinod Kumar

SIGNED, DELIVERED AND CONFIRMED BY
Mahanagar Telephone Nigam Limited
By the hand of
Shri.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्पलेक्स, लोधी रोड, नई दिल्ली-110003
9 C.G.O Complex, Lodhi Road, New Delhi-110003

Mahanagar Telephone Nigam Limited,
Registered & Corporate Office:
MAHANAGAR DOORSANCHAR SADAN,
9 CGO COMPLEX, LODHI ROAD,
NEW DELHI – 110003

An authorised Signatory of the Mahanagar Telephone Nigam Limited,
in the presence of

1. Shri. S. R. Sayal, C.S.

Mahanagar Telephone Nigam Limited,
Registered & Corporate Office:
MAHANAGAR DOORSANCHAR SADAN,
9 CGO COMPLEX, LODHI ROAD,
NEW DELHI – 110003

एस. आर. स्याल
S. R. SAYAL
कम्पनी सचिव / Company Secretary
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9 सी.जी.ओ. कॉम्पलेक्स, नई दिल्ली-3 / 9, C.G.O. Complex, New Delhi-3

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्पलेक्स, लोधी रोड, नई दिल्ली-110003
9 C.G.O Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India

Annexure-I

F. No. [illegible]
Government of India
Ministry of Finance
Department of Economic Affairs
[illegible] Division

Room No. 221A, North Block
New Delhi the __ August, 2020

OFFICE MEMORANDUM

Subject: [illegible] in respect of Govt Guarantee to BSNL/MTNL [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
बी.एस.एन.एल. निगम कार्यालय / BSNL Corporate Office
महानगर दूरसंचार भवन / Mahanagar Doorsanchar Sadan
सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

(Sanjay Rawat)
Under Secretary (Budget)

Joint Secretary (A...)
(Shri Navneet Gupta)
Department of Telecommunications
Sanchar Bhawan, New Delhi

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
5, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003
5 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

ANNEXURE-II

STRUCTURED PAYMENT MECHANISM

A Designated Trust & Retention Account in the name of "Mahanagar Telephone Nigam Limited (MTNL)-Bond Account" is to be opened exclusive for the benefit of the Trustee (on behalf of the bondholders). The following payment structure (wherein "T1" is assumed to be the due date for interest payments and "T2" is assumed to be the due date for principal repayment of the bonds) is envisaged for meeting the obligations on the rated bonds.

Interest Payments

Trigger Date	Action Point
(T1-30)th day*	Trustees to inform MTNL and the GOI in writing regarding the due date for payment of interest amount so that the necessary arrangements could be made for meeting the interest payment obligations on the Bonds.
(T1-10)th day*	The Designated Trust and Retention Account is to be funded by MTNL to the tune of the interest obligations on the Bonds.
(T1-8)th day*	If the Designated Trust and Retention Account is not funded to the requisite extent by (T1-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to GOI.
(T1-3)th day*	Last date by which GOI shall deposit requisite funds in the Designated Trust and Retention Account as per the Notice of Invocation served by the Trustees.

If any Coupon Payment Date falls on a day that is not a Business Day, the payment shall be made by the Issuer on the following working day in line with SEBI circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त)/ General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन/Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्प्लेक्स लोधी रोड, नई दिल्ली-110003
9 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव/Joint Secretary
दूरसंचार विभाग भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली/New Delhi

Principal Repayment

Trigger Date	Action Point
(T2-30)th day*	Trustees to inform MTNL and the GOI in writing regarding the due date for repayment of Principal amount so that the necessary arrangements could be made for meeting the Principal repayment obligations on the Bonds.
(T2-10)th day*	The Designated Trust and Retention Account is to be funded by MTNL to the tune of the Principal obligations on the Bonds.
(T2-8)th day*	If the Designated Trust and Retention Account is not funded to the requisite extent by (T2-8)th day, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to GOI.
(T2-3)th day*	Last date by which GOI shall deposit requisite funds in the Designated Trust and Retention Account as per the Notice of Invocation served by the Trustees.

* If the Redemption Date (also being the last Coupon Payment Date) of the Bonds falls on a day that is not a Business Day, the redemption proceeds shall be paid by the Issuer on the immediately preceding Business Day along with interest accrued on the Bonds until but excluding the date of such payment.

सुल्तान अहमद / SULTAN AHMED
महाप्रबंधक (वित्त) / General Manager (Finance)
म.टे.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office
महानगर दूरसंचार सदन / Mahanagar Doorsanchar Sadan
9, सी.जी.ओ. कॉम्पलेक्स, लोधी रोड, नई दिल्ली-110003
9 C.G.O. Complex, Lodhi Road, New Delhi-110003

(नवनीत गुप्ता)
(NAVNEET GUPTA)
संयुक्त सचिव / Joint Secretary
दूरसंचार विभाग, भारत सरकार
Deptt. of Telecom, Govt. of India
नई दिल्ली / New Delhi

ANNEXURE – XI

CONTINGENT LIABILITY

Details of contingent liabilities, pending litigations and other matters as on 31st March 2020

S.No.	Particulars	Amount in Rs Crs
1.	Income Tax Demands disputed and under appeal	364.93
2.	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	835.49
3.	Claims against the company not acknowledged as debts	654.31
4.	Pending arbitration/court cases	2,500.99
5.	Bank guarantee & Letter of Credit	86.35
6.	Directory dispute	55.43
7.	Pending court cases against land acquisition	4.87
8.	License fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36
9.	License fee related contingent liability w.r.t. provisional assessment done by DOT	2865.04
10.	BTS related penalty imposed by DoT	84.25
	Total	**7,592.02**