

# ANNUAL REPORT

## 2009-2010



**MTNL**

*Transparency makes us different!*



*Twenty Fourth  
Annual Report  
2009-10*

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**(A Nav Ratna Company)**



## **MISSION OF MAHANAGAR TELEPHONE NIGAM LIMITED**

*“To provide in its area of operation, in a leading way, world class telecom services which are demanded, keeping always the customer's delight as its aim, so that it continues to be the premier Indian Telecom Company”.*

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## **BOARD OF DIRECTORS (AS ON 20.09.10)**

Shri Kuldeep Singh	Chairman & Managing Director/ Director (Technical)
Smt. Anita Soni	Director (Finance)
Shri S.P. Pachauri	Director (HR)
Smt. Usha Sahajpal	Director
Shri Adit Jain	Director
Shri V.S. Iyer	Director
Dr. Vijay Aggarwal	Director
Shri T.S. Narayanasami	Director
Dr. Rajan Saxena	Director
Shri N.K.Joshi	Director

## **BOARD LEVEL COMMITTEES**

### **I. AUDIT COMMITTEE**

Smt. Usha Sahajpal	Chairperson
Smt. Anita Soni, Director (Finance)	Permanent Invitee
Shri V.S. Iyer	Member
Shri Adit Jain	Member
Shri S.R. Sayal, Company Secretary	Secretary

### **II. INVESTORS/SHAREHOLDERS GRIEVANCES COMMITTEE**

Smt. Usha Sahajpal	Chairperson
Smt. Anita Soni, Director (Finance)	Member
Shri S.R. Sayal, Company Secretary	Secretary

## **COMPANY SECRETARY**

S.R. SAYAL

## **REGISTERED AND CORPORATE OFFICE**

Jeevan Bharti Building,  
Tower I, 12th floor,  
124 Connaught Circus,  
New Delhi - 110 001  
Tel: 91 11 23742212  
Fax: 91 11 23314243  
Website : [www.mtnl.net.in](http://www.mtnl.net.in) / [www.bol.net.in](http://www.bol.net.in)



## **STATUTORY AUDITORS**

### **M/s Bansal Sinha & Co.**

18/19, Old Rajinder Nagar, New Delhi-110016

Phone : 25722270, 25853424

Fax : 011-41046530

### **M/s Goel Garg & Co**

Chartered Accountants

18, National Park, Lajpat Nagar - IV,

New Delhi – 110 024

Phone : 011 41636825,826

## **BANKERS**

State Bank of India, New Delhi/Mumbai

Indian Overseas Bank, New Delhi/Mumbai

Punjab National Bank, Mumbai

Oriental Bank of Commerce, New Delhi

Central Bank of India, Mumbai

Dena Bank, Union Bank of India, Mumbai

United Bank of India, New Delhi

Syndicate Bank, Mumbai,

Vijaya Bank, New Delhi/Mumbai

Indian Bank, New Delhi, ICICI Bank, Mumbai

UTI Bank, Mumbai

## **REGISTRARS AND TRANSFER AGENTS**

### **M/s. Beetal Financial & Computer Services (P) Ltd.**

3rd Floor, Beetal House

99, Madangir, Behind Local Shopping Centre

Near Dada Harsukhdas Mandir, New Delhi - 110 062.

Ph: 011-29961281-82, Fax : 011-29961284

E-mail : [beetal@rediffmail.com](mailto:beetal@rediffmail.com)

### **Investor Helpdesk**

Ph : 011-23765269/23328280, Fax : 011-23716655

E-mail : [mtnligr@bol.net.in](mailto:mtnligr@bol.net.in)

**24<sup>th</sup> Annual General Meeting on 13<sup>th</sup> October, 2010 at 11.30 a.m.  
at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110001**

The Annual Report can also be accessed at [www.mtnl.net.in](http://www.mtnl.net.in)



## NOTICE

**Notice** is hereby given that the twenty fourth Annual General Meeting of the members of **Mahanagar Telephone Nigam Limited** will be held on **Wednesday, October 13<sup>th</sup>, 2010 at 11.30 a.m. at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110001** to transact the following business :-

### **I. ORDINARY BUSINESS :**

1. To receive, consider and adopt the audited Balance Sheet of the company as at 31st March, 2010 and the Profit and Loss Account for the year ended on that date together with the reports of the Auditors and Directors and the comments of the Comptroller and Auditor General of India thereon U/s 619(4) of the Companies Act, 1956.
2. To appoint directors in place of those retiring by rotation:
  - (a) To appoint a director in place of **Shri. S. Iyer**, who retires by rotation and being eligible, offers himself for reappointment.
  - (b) To appoint a director in place of **Shri. Adit Jain**, who retires by rotation and being eligible, offers himself for reappointment.
  - (c) To appoint a director in place of **Dr. Rajan Saxena**, who retires by rotation and being eligible, offers himself for reappointment.
3. To fix the remuneration of the Statutory and Branch Auditors appointed by the comptroller & Auditor General of India for the financial Year 2010-11.

By order of the Board

For **MAHANAGAR TELEPHONE NIGAM LIMITED**

(S.R. SAYAL)  
Company Secretary

Place : New Delhi  
Date : 20.09.2010



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## NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT 12TH FLOOR, TOWER-1, JEEVAN BHARTI BUILDING, 124, CONNAUGHT CIRCUS, NEW DELHI-110001, NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING. PROXY FORM IS ANNEXED.
2. The Register of members and Share Transfer Books will remain closed from 12<sup>th</sup> October to 13<sup>th</sup> October 2010. (both days inclusive).
3. The Members are requested to notify change of address, if any, to :-
  - (i) The company's Registrar & Transfer Agent, M/s. Beetal financial & Computer Services (P) Ltd. 3<sup>rd</sup> Floor, Beetal House 99, Madangir, Behind Local Shopping Centre Near Dada Harsukhdas Mandir, New Delhi - 110 062 in case the shares are held in physical form and
  - (ii) to the respective Depository Participant (DP) with whom the members are having their Demat Accounts, in case the shares are held in electronic form.
4. It will be appreciated that queries, if any, on the accounts and operations of the company are sent to the company 8 days in advance of the meeting so that the answers could be made readily available.
5. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the meeting.
6. Members are requested to fill up their name, folio No./ID No. and to affix their signature at the space provided on the attendance sheet (given at the end of the Annual Report) and hand over the same at the entrance of the place of the meeting.
7. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Registrar & Transfer Agents of the company, enclosing their share certificates to enable the company to consolidate their holding in one folio. The share certificates will be returned to the members after making necessary endorsement in due course.
8. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail of the nomination facility by filing up the prescribed form.





9. All the shareholders who have not yet got their shares demated, are requested to get their shares demated in their own interest as it will be easier for them to trade as well as maintain the security.
10. Pursuant to Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed amount of dividends paid up to 2001-2002, to the General Revenue Account/ Investor Education and Protection Fund of the Central Government. The unpaid / unclaimed amount of Dividend declared on 30<sup>th</sup> September, 2003 for the financial year 2002-03 will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government by 29 September, 2010. Members who have not encashed their dividend warrants pertaining to the said year may approach the Company or its Registrar & Share Transfer Agent for obtaining payment thereof.

<b>Please note that no gifts of any sort would be distributed at the AGM</b>
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## DIRECTOR'S REPORT

To

The Shareholders  
of **Mahanagar Telephone Nigam Limited**

Dear Shareholders,

Your Directors have pleasure in presenting the 24<sup>th</sup> Annual Report of your Company together with the Statement of Accounts and Auditors' Report as well as comments of Comptroller and Auditor General on the Accounts for the financial year ended on March 31, 2010.

While India is widely acknowledged as the world's fastest growing telecom market, it enjoys around 53 per cent teledensity. To ride this enormous boom and retain our strong competitive advantage, we have launched a whole new range of services with aggressive and innovative tariff plans. These pathbreaking initiatives will not only broaden our subscriber base but also offer our millions of customers real choice in Landline, CDMA and GSM (2G & 3G) networks.

The advent of broadband has revolutionized back office functions across the economy. As a leader in the converged telecom space, the stage is set for us to drive this process of change, and to capture the market with our unique network and IT infrastructure facilities, bundled value added services and strong project management.

We remain committed to build MTNL into a World Class Service Provider, known for its standards of quality, operational performance and efficiency and admired for its record of consistently creating value for all.



## FINANCIAL RESULTS

Sources and application of funds for the year 2009-10 are given below:-

(In Million Rs.)

	2009-10	2008-09
Income from Services	36561.00	44559.99
Expenditure (excluding Interest & prior period Adjustments)	84754.69	49853.29
Operating Profit /(Loss)	(48193.69)	(5293.30)
Other Income	14017.23	7942.75
Interest	12.61	11.53
Profit/(Loss) before tax	(34189.07)	2637.92
Tax provision for the year	(3551.14)	954.59
Prior Period Adjustments	(4528.21)	(433.84)
Net Profit / (Loss) for the year	(26109.72)	2117.17
<b>Appropriation</b>		
Interim/Proposed final dividend	0.00	630.00
Dividend Tax	0.00	107.07
<b>Transfer to:</b>		
a) Contingency Reserve	0.00	0.00
b) Reserve for R&D	0.00	0.00
c) General Reserve	0.00	1380.10
<b>SOURCES AND USES OF FUNDS</b>		
Authorised Capital	8000.00	8000.00
Issued, Subscribed & paid-up Capital	6300.00	6300.00
Reserves & Surplus	111714.10	114293.68
Secured and unsecured loan	0.00	0.00
Deferred Tax Liability (Net)	0.00	3552.96
<b>REPRESENTED BY</b>		
Fixed Assets (Net Block)	165549.76	62838.34
Investment	5095.37	4650.92
Net Current Assets	(87940.76)	46185.69
Deferred Revenue Expenditure	0.00	966.90
Capital Work-in-Progress	11779.60	9504.79

Note: Previous year's figures have been re-grouped/re-cast wherever considered necessary.



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## **DIVIDEND**

Since there has been no operating profit during the financial year 2009-10, Board of Directors of your company expressed their inability to recommend any dividend for the year under report.

## **SUBSIDIARY COMPANIES**

Your company has two subsidiary companies namely:-

### **(i) MILLENNIUM TELECOM LTD. (MTL):**

MTNL through MTL, a 50:50 joint venture of MTNL and BSNL had earlier invited global tender for laying of submarine cable, connecting both East & West coast of India to South –East Asia & Middle –East with an ultimate intent to connect to Europe & USA. However, because of decline in bandwidth prices and high cost of laying the cable, many operational and financial reasons, the project has got delayed. Since the cost of the tender was coming very high, it would not be possible for MTNL and BSNL alone to invest such a huge amount, hence, the possibility of forming a consortium with other operators was felt.

### **(ii) MAHANAGAR TELEPHONE (MAURITIUS) LTD. (MTML)**

MTML is a 100% subsidiary of MTNL. The company is having license for fixed telephone service, mobile service, international long distance services and internet services.

MTML is providing cost effective services for its customers. It has already rolled out its CDMA based fixed and mobile services as well as internet and ILD services. Presently, MTML has a customer base of appx. 104 K subscribers.

In addition, the company has also got GSM spectrum and have finalized the GSM equipment vendor for deployment of network.



## JOINT VENTURES

Your company has two joint ventures viz. UNITED TELECOMMUNICATIONS LTD. (UTL) & MTNLSTPI IT SERVICES Ltd.

### (i) UNITED TELECOMMUNICATIONS LTD. (UTL)

The Joint Venture was incorporated in the year 2001 under the Companies Act of Nepal.

UTL has a total customer base of more than 4,16,825 in numbers and the PCOs are 1646.

UTL's engineering team follows the O&M procedures scrupulously thereby ensuring a fault free network round the clock. The management closely monitors the overall performance of the network. The quality of services, parameters, subscriber complaints, fault rates, BTS wise traffic and ILD traffic are continuously kept under watch.

The company is sustaining its entire operations from internal revenue generations only. Monthly OPEX including the interest payment & other IUC charges, repayment of term loans, etc. are fully met within its bill collections.

#### ILD Service:

A table depicting traffic for past 12 months is placed below.

#### Traffic minutes in millions

	Mar 2009	Apr 2009	May 2009	Jun 2009	Jul 2009	Aug 2009	Sept 2009	Oct. 2009	Nov. 2009	Dec. 2009	Jan 2010	Feb. 2010	Mar. 2010
I/C	7.71	8.71	10.90	7.90	7.50	9.01	7.99	6.58	7.17	11.41	12.50	11.93	12.17
O/G	0.49	0.48	0.48	0.51	0.56	0.90	1.47	2.07	3.12	4.13	4.90	5.34	6.12
Total	8.20	9.19	11.38	8.41	8.06	9.91	9.46	8.65	10.29	15.54	17.40	17.27	18.29

### (ii) MTNLSTPI IT SERVICES Ltd.

It is a 50:50 Joint-venture between Software Technology Parks of India (STPI) and Mahanagar Telephone Nigam Limited (MTNL). The JV is setting up a data centre for Web-farming application at Chennai with the aim to provide exclusive data centre services, messaging services, business application services to the identified sectors of economic activity.

Order for infrastructure creation for data centre has been placed on M/s Wipro and the work has been completed. In the meantime, JV has already started commercially exploiting the created infrastructure by hosting servers of M/s TCS for MEA's Passport Seva Service on commercial terms. Presently, The Company has floated tender for establishment of data centre equipments in Chennai. Further, the JV is also exploring the possibility of establishment of data centre at two more locations i.e. Delhi and Hyderabad in addition to Chennai.



### Details of System Status for the financial year 2009-10 (31.03.10)

S.No	Parameters	Delhi	Mumbai	Total
1	Number of switches	342	212	554
2	Equipped Capacity	*5,846,995	6,091,951	11,938,946
	DLC capacity	160,152	119,006	279,158
	Digitalization % lines	100	100	100
3	DELs*	3,941,848	4,648,922	8,590,770
4	Details of Net DELs			
	(a) Fixed Line	1,537,460	1,959,294	3,496,754
	(b) WLL-Fixed	29,350	97,006	126,356
	(c) WLL-Mobile	111,418	71,789	183,207
	(d) GSM	2,263,620	2,520,833	4,784,453
5	Broadband			
	(a) Subscribers	379,225	436,605	815,830
	(b) Capacity (in ports)	697,400	720,532	1,417,932
6	IPTV	8,297	4,601	12,898
7	VOIP	2,919	3,306	6,225
8	Internet connection	620,894	872,817	1,493,711
	(a) Prepaid	19,986	981	20,967
	(b) Postpaid	600,908	871,836	1,472,744
9	Payphones	69,480	125,950	195,430
10	ISDN	8,439	16,904	25,343
11	DLC (No)	425	523	948
12	Tax Capacity	150,000	155,200	305,200
13	Tandem Capacity	402,500	431,060	833,560
14	Optical fiber cable			
	(a) In Route KMs	7,601.59	6,818.15	14,419.74
	(b) In Fiber KMs	221,743.07	190,515.46	412,258.53
15	Leased Circuits	15,193	38,403	53,596
16	Replacement of PCUT Cable ( in LKCM)	30.255	15.711402	45.966402

\*including WLL fixed, WLL mobile & GSM



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## **HUMAN RESOURCE DEVELOPMENT**

The Telecom industry in India is undergoing through a volatile phase and fate of the organization is being written and re-written everyday. In the recent past, we have identified Human Resources as one of the strategic partners for rapid business strides leading to success in all strata of our operations. During last fiscal also we continued our endeavors towards world standards HR policies.

We have always considered our Manpower as one of our greatest assets and this is what differentiates MTNL from its competitors. We have a strong manpower base of 44910 with wide array of Technical and Managerial aptitudes and also talented supporting staff having exposure to state of the art technologies prevailing in Telecom Industry in the world. As a step towards restructuring of our manpower we have adopted dual pronged strategy, viz., at one end we have recruited young and talented professionals in areas like Telecom, Finance, HR, Marketing, Law and on the other hand we have taken steps towards rightsizing of the organization by offering VRS. Almost 4000 employees were separated through 03 VRS. During 2003 to 2006

Thus fine-tuning our existing manpower mix in terms of age, qualification, and aptitude to meet the demands posed by the changing Business Environment and to take advantage of the opportunities presented to serve ever-increasing customer base.

### **TRAINING PROGRAMME**

Our company has been conducting training programme for new recruited executives Trainees in the field of Telecom, Finance, Marketing, HR, Legal regularly at CETTM.

### **CENTRE FOR EXCELLENCE IN TELECOM TECHNOLOGY AND MANAGEMENT (CETTM)**

Our dream for having a world-class in house Training Centre furthered one step when CETTM (Centre of Excellence in Telecom Training & Management) was awarded ISO 9001:2000 certification. CETTM is slowly taking the lead role and becoming the nodal center for HRD. Induction Training programme for newly recruited executive Trainees in the field of Telecom, Finance, Marketing, HR, Legal have been conducted at CETTM.

CETTM has started generating revenues by leasing out infrastructure and providing training to other organizations of repute.

### **INDUSTRIAL RELATIONS**

Industrial peace and Industrial harmony based on healthy Employee Relations, like the previous year prevailed throughout the year. The Grievances/Issues raised by the employees/Union/Associations was given due attention and regard. The cases/issues brought up by them were settled through regular meetings and interactions between Management and Unions/Associations and action as mutually agreed was taken to settle them. Recently we have signed wage agreement with recognised unions for a period of 10 years effective from 1/1/2007.



A further step towards Worker's Participation in critical issues concerning business endeavors, a special Joint Negotiation Committee meeting was convened to share the views of recognized Unions on the various aspects of our business endeavors and to obtain opinion from them in further improving the same.

### **EMPLOYEES' WELFARE**

Employees Welfare Schemes like subsidized Canteen, Crèches, Housing, Medical facilities, Scholarships to wards of employees, Group Insurance, dormitories for females working in night shift etc. continued and maintained by the Company for its employees. Sports and Cultural activities were also given priority during the year.

### **IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY**

The company continued its efforts to comply with statutory requirements in promoting the use of Hindi and has been able to achieve most of the annual targets set by the Government for implementation and promotion of Hindi as Official Language in the Company.

### **IMPLEMENTATION OF RESERVATION POLICY FOR SC/ST/OBC & PH COMMUNITY**

Your Company has endeavored to fulfill all the statutory requirements with regard to implementation of reservation policy for candidates belonging to SC/ST/OBC communities and as well as Physically Challenged candidates.

### **WORKING CONDITIONS OF WOMEN EMPLOYEES**

We are continuously striving towards gender sensitization amongst our employees. Special care has been taken in case of woman employees working in night shifts. Also to redress the issues of Sexual Harassment at workplace Special Cells have been constituted.

The Report of Parliamentary Committee on empowerment of Women and the working conditions of women in MTNL is received during the year. Special grants have been sanctioned to Women Welfare Committee at Delhi/Mumbai.

### **CORPORATE SOCIAL RESPONSIBILITY**

Fulfilling the Social Responsibility was always high on our agenda and in last fiscal year also your company supported a lot of Organizations fighting for the bigger social cause. In many instances we also took the same responsibility on our shoulders.

### **MANPOWER STATUS**

As on 31st March 2010 your Company had a strength of employees as per details given next page:-





#### **MTNL Employees working strength as on 31.3.2010.**

<b>Group</b>	<b>Working</b>	<b>SC</b>	<b>ST</b>
<b>A</b>	<b>1190</b>	<b>215</b>	<b>55</b>
<b>B</b>	<b>5360</b>	<b>756</b>	<b>109</b>
<b>C</b>	<b>26495</b>	<b>4616</b>	<b>511</b>
<b>D</b>	<b>11842</b>	<b>2755</b>	<b>881</b>
<b>Total</b>	<b>46091</b>	<b>8342</b>	<b>1556</b>
<b>DRMs</b>	<b>23</b>	<b>—</b>	<b>—</b>
<b>Grand Total</b>	<b>44910</b>	<b>8342</b>	<b>1556</b>

#### **VIGILANCE**

The Vigilance organization of MTNL is headed by Chief Vigilance Officer. He is an officer in the rank of Joint Secretary, Govt. Of India. Presently Shri Khushi Ram, IRSSE, is the CVO of MTNL. The CVO is responsible for complete vigilance administration. During the period 2009-10 emphasis was laid on efficiency and transparency in working. During the period various steps were taken to empower customer oriented services of the organization. Training programmes/seminars and workshops have been conducted during the period to update the knowledge and skills of the officer working in vigilance. The Vigilance Awareness Week was celebrated from 03.11.09 to 07.11.09. During the Vigilance Awareness Week various activities including interaction with field staff and customers was undertaken to further improve the customer services based on the feedback/suggestions received from them. During the Vigilance Awareness Week information, booklets indicating various services provided by the MTNL and the complaint handling policy was distributed among the customers through Sanchar Hatts. Monthly Vigilance meetings were held regularly at HQs, Delhi and Mumbai to monitor the progress of Vigilance/Disciplinary cases. Remedial action was also undertaken for timely settlement of these cases. During the period, the vigilance Branch received 228 complaints and 139 Disciplinary cases were finalized. These complaints were expeditiously examined and necessary action taken thereupon. Regular inspections were also carried out by the vigilance officers and corrective action was suggested wherever required.

#### **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

Being a service providing organization, the relevant rules in this regard are not applicable to your Company.

#### **FOREIGN EXCHANGE EARNINGS**

Information with regard to foreign exchange earnings and outgo is as follows:-

Activities relating to Export and total Foreign Exchange earned and used:-

	(Rs. In Million)
Earned :	48.30
Expenditure in Foreign Currency	29.31



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## **CORPORATE GOVERNANCE**

Your company follows the principles of effective corporate governance practices. The Company has taken steps to comply with the requirements of revised Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on Corporate Governance has been appended under separate section titled ' Corporate Governance Report ' and forms a part of the Annual Report.

## **COMPLIANCE CERTIFICATE**

A certificate from the Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under revised Clause 49 of the Listing Agreement is attached to this report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Sec 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 and for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

## **PARTICULARS OF EMPLOYEES**

During the year under report, there was no employee who was in receipt of remuneration in excess of limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules, 1975.

## **COMMENTS OF C & AG ON THE ACCOUNTS**

Comments of C&AG and management replies thereto are given as an Annexure to the Directors' Report.



## **DIRECTORS**

During the year under report, the Board of Directors of your Company met frequently. At these meetings, the Board held intensive discussions on the budget, important financial transactions and various steps to face the impending competition from private operators both in Basic Telephone Service and Cellular Mobile Telephony and other value added services.

Sh. Kuldip Singh Director (Tech.) of MTNL has been entrusted with additional charge of the Chairman and Managing Director of your company w.e.f 15.01.2010 in place of Sh.R.S.P.Sinha whose term of office had expired on 14.01.2010. Shri Kuldip singh continued to be the Director (Technical) and Smt. Anita Soni and Sh. S.P. Pachauri continued to be the Director(Finance) and Director (HR) respectively of your Company.

During the period under report, the following changes took place in the 'Directorship of Your Company:-

1. Sh. Kuldip Singh Director (Tech.) of MTNL has been entrusted with additional charge of the Chairman and Managing Director of your company w.e.f 15.01.2010 in place of Sh.R.S.P.Sinha whose term of office had expired on 14.01.2010.
2. Sh. Dr. Vijay Aggarwal, Dr. Rajan Saxena and Shri T.S. Narayanasami have been appointed non-official part-time Directors of the company by the Govt. of India, for a period of 3 years. Their appointment was confirmed by the Board in its meeting held on 29.3.2010.
3. Sh. Nirmal Kumar Joshi, DDG (SU), Department of Telecommunications was appointed as Govt. director in place of Shri Manish Sinha, DDG (FEB) w.e.f. 12.8.2010
4. Shri J.S. Deepak ceased to be Govt. Director w.e.f. 29.3.2010.

The Board placed on record its deep appreciation for the excellent guidance given by shri R.S.P. Sinha during his term as CMD. The Board also placed on record its deep appreciation for the valuable services and contribution made by Dr. J.S.Deepak and Shri Manish Sinha during their tenure as Govt. Directors on the Board of MTNL.

## **AUDITORS**

M/s. Bansal Sinha & Co., Chartered Accountants and M/s.Goel Garg & Co., Chartered Accountants have been appointed as joint Statutory Auditors of your Company by the Comptroller and Auditor General of India for the year 2010-11 and the board has already ratified their appointment.

## **ACKNOWLEDGEMENT**

Your Directors take this opportunity to gratefully acknowledge the help, guidance and support received from Deptt. of Telecom (DoT) and various Ministries of the Government of India. Your Directors are especially



grateful to its Bankers, all stakeholders and investors including, ADR holders, for their continued patronage and confidence reposed in the company.

The Directors would like to express their thanks for the sincere hard work and dedication of every employee leading to impressive results of your company. The Board is confident that with the employees' continued enthusiasm, initiative and dedicated efforts, your company could face the new challenges and opportunities arising out of the resultant competition from private operators in the Cellular Mobile, Basic Telephone and Internet services and other Value Added services.

For and on behalf of the **Board of Directors**

**PLACE : New Delhi**

**DATE : 03.09.2010**

**(Kuldip Singh)**

**CHAIRMAN AND MANAGING DIRECTOR**

□□□



## CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2009-10 is given below:-

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company's philosophy on corporate governance encompasses achieving the balance between shareholders interest and corporate goals through the efficient conduct of its business and meeting its stakeholders obligation in a manner that is guided by transparency, accountability and integrity.

### 2. BOARD OF DIRECTORS

The Company currently has 10 Directors as on 01.09.2010 including the Chairman and Managing Director and three Functional Directors as per the following details.

Name	Category	Directorship in other companies	Membership in other committee
Sh. Kuldip Singh	Chairman and Managing Director & Director (Technical)	Chairman: MTNLSTPI-IT Services Ltd., MTML Director: UTL	
Smt. Anita Soni	Director (Finance)	Director: MTNLSTPI-IT Services Ltd., MTL	
Sh. Satya Prakash Pachauri	Director (HR)	Director: MTL, MTNL STPI-IT Services Ltd.	
Smt. Usha Sahajpal	Part-time Director	Director: South Eastern Coalfield Ltd.	Independent External Monitor (IEM) of NHPC
Shri Adit Jain	Director	Director: Shriram transport fin.co.ltd. IMA, India Pvt. Ltd. IMA,corporate Advisory services Pvt. Ltd. EIV India Pvt. Ltd. PR Pundit public relations Pvt. Ltd. Indosolor Ltd. Engineers India Ltd.	Chairman of compensation committee: Shri Ram Transport fin. Co. Ltd. Chairman- Audit committee, Remuneration committee Indorsolor Ltd.



Name	Category	Directorship in other companies	Membership in other committee
Shri V.S. Iyer	Part- time Director	Director : Ruttosha International Rectifiers Ltd. Prop.: Iyer & Associates	Member Audit committee: Ruttosha International Rectifiers Ltd.
Shri Vijay Aggarwal	Director	—	—
Shri T.S. Narayanasami	Director	MD & CEO: United stock exchange of India ltd. Non- executive chairman & Director: Experian credit information company of india Independent Director: Axis Asset management company ltd. ITI Ltd.: independent director independent director: Central Depository services ltd.	Member Audit committee: Axis Asset management company ltd. Member Remuneration committee: Axis Asset management company ltd.
Dr. Rajan Saxena	Director	Director: Lodha Develpoers ltd. Director: Anuvi chemicals ltd. Vice Chancellor: Sukm's Narsee Monjee Institute of Management studies (NMIMS) Chairman & Board of governors : Sanghvi Intt. Of mgmt & sciences, indore Director: BSE institute	—
Shri N.K. Joshi	Director	Director - MTL	



## 2.1 ATTENDANCE OF DIRECTORS AT THE BOARD MEETING AND THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings. The detailed agenda along with the explanatory notes is circulated in advance. The Directors can suggest inclusion of any item(s) in the agenda at the Board meeting. During the year 2009-10, 13 meetings were held and the attendance of Directors in these meetings was as under:-

Name of the Director	No. of Board meetings attended	Percentage (%)	Attendance at the last AGM held on 25 <sup>th</sup> September 2009	Remarks
Shri R.S.P. Sinha	8/8	100	Yes	Ceased to be CMD as on 14.01.2010
Shri Kuldeep Singh	13/13	100	Yes	Appointed as CMD on 15.01.2010
Smt. Anita Soni	13/13	100	Yes	
Shri Satya Prakash Pachauri	13/13	100	Yes	
Shri J.S. Deepak	10/13	77	No	Ceased office w.e.f 29.03.2010
Smt. Usha Sahajpal	12/13	92	Yes	
Shri Manish Sinha	11/13	85	No	Ceased office w.e.f 29.03.2010
Shri Adit Jain	6/9	67	Yes	Assumed office on 31.07.2009
Shri V.S. Iyer	8/9	89	Yes	Assumed office on 31.07.2009
Dr. Vijay Aggarwal	1/1	100	N.A	Assumed office on 29.03.2010
Shri T.S. Narayanasami	1/1	100	N.A	Assumed office on 29.03.2010
Dr. Rajan Saxena	1/1	100	N.A	Assumed office on 29.03.2010
Shri Nirmal kumar Joshi	0/0	0	N.A	Assumed office on 12.08.2010



## DETAILS OF BOARD MEETING HELD DURING 2009-10

No. of directors present are as under:-

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	247	29.04.2009	New Delhi	7/7
2	248	29.05.2009	New Delhi	6/7
3	249	26.06.2009	New Delhi	7/7
4	250	31.07.2009	New Delhi	6/7
5	251	25.09.2009	New Delhi	8/9
6	252	30.10.2009	New Delhi	8/9
7	253	27.11.2009	New Delhi	8/9
8	254	31.12.2009	New Delhi	8/9
9	255	08.01.2010	New Delhi	7/8
10	256	21.01.2010	New Delhi	8/8
11	257	29.01.2010	New Delhi	7/8
12	258	26.02.2010	New Delhi	6/8
13	259	29.03.2010	Mumbai	11/11

### 2.3 DETAILS OF MEMBERSHIP/CHAIRMANSHIP OF BOARD COMMITTEES

None of the Directors of the Company hold memberships of more than ten Committees. No Director is Chairman of more than five Committees of Boards of all the companies where he holds Directorships. For this purpose committees comprise Audit Committee and Shareholders'/Investors' Grievance Committee.

### 2.4 CODE OF CONDUCT FOR DIRECTORS AND SR. MANAGEMENT PERSONNEL

MTNL has adopted the Code of Conduct for Directors and Senior Management Personnel as per the requirement of clause 49 of the Listing Agreement dealing with Corporate Governance. The Code is comprehensive Code applicable to all Directors and Senior Management Personnel Viz. Executive Directors, General Managers and all functional heads of the company. The Code lays down in detail the standard of business conduct, ethics governance and centers around the following theme: "Integrity and transparency are the core value in all our business dealings. We shall act in compliance with applicable laws and regulations, in a manner that excludes considerations of personal advantage and will not compromise in our commitment to honesty and integrity in any aspect of our business. We are committed to excellence, in all our endeavours".





## 2.5 CERTIFICATE REGARDING AFFIRMATION OF COMPLIANCE OF CODE OF CONDUCT

CMD/CEO has affirmed that the said code has been complied with by all board members and senior management personnel as under:– “Pursuant to clause 49 of the Listing Agreement, I confirm that all Board Members and senior management personnel have affirmed compliance with the “MTNL’s Code of Conduct” for Board Members and Senior Management Personnel for the year 2009-10”.

**(Kuldip Singh)**

Chairman & Managing Director

**PLACE : New Delhi**

**DATE : 03.09.2010**

## 3. AUDIT COMMITTEE

The scope of the Audit Committee has been defined by the Board of Directors in accordance with the provisions of the Companies Act read with clause 49 of the listing agreement, which among others, includes:-

- Reviewing the Company’s financial reporting processes and systems
- Recommending the appointment and removal of statutory auditors, taking decisions regarding audit fee and related expenses
- Reviewing the Company’s financial and risk management policies
- Reviewing with management the quarterly and annual financial statements, before submission to the Board, focusing primarily on:
  - ★ changes in accounting policies and practices;
  - ★ internal audit processes and systems

Presently, the Audit Committee consists of the following:-

- |  |                   |
|--|-------------------|
| 1. Smt. Usha Sahajpal                  | Chairperson       |
| 2. Smt. Anita Soni, Director (Finance) | Permanent Invitee |
| 3. Shri V. S. Iyer                     | Member            |
| 4. Shri Adit Jain                      | Member            |
| 5. Shri S.R. Sayal, Company Secretary  | Secretary         |



### 3.1 Meetings and attendance of Audit Committee:

The Audit Committee held 9 meetings during the year 2009-10.

The members' attendance at the Committee Meetings was as under:-

S. No.	Name of Director	No. of meetings	attended
1.	Smt. Usha Sahajpal, Chairperson	9	9
2.	Smt. Anita Soni, Director (Finance)	9	9
3.	Sh. J.S. Deepak	4	2
4.	Shri Manish Sinha	4	3
5.	Shri V. S. Iyer	5	5
6.	Shri Adit Jain	5	3

### 4. REMUNERATION COMMITTEE:

The whole time Directors of the company including the Chairman and Managing Director are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. The Company, therefore, has not constituted a Remuneration Committee. The non-official part-time Directors are paid Rs.10,000/- by way of sitting fees for attending every meeting of the Board/Committee of the Board attended by them. No other remuneration is paid to the non-official part-time Directors.

### 5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE

Pursuant to clause 49 of the Listing Agreement, a Shareholders/Investors' Grievances Committee exists in MTNL to look into the investors' complaints, if any, and to redress the same expeditiously. The Committee reviews all matters connected with the Securities' transfers. The Committee looks into redressing of shareholders complaints like non-receipt of Balance Sheet, non receipt of dividends, etc. The Committee also oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investors services. The committee held 2 meetings during the year 2009-10. Presently the Committee consists of the following:-

				No. of Meeting attended
1.	Smt. Usha Sahajpal		Chairperson	2/2
2.	Shri Manish Sinha		Member	1/2
3.	Smt. Anita Soni,	Director (Finance)	Member	2/2
4.	Shri S.R. Sayal,	Company Secretary	Secretary	2/2

e-mail address for investors grievances/complaints : [mtnligrc@bol.net.in](mailto:mtnligrc@bol.net.in).



## 6. SHARE TRANSFER COMMITTEE

Pursuant to clause 47A of the Listing Agreement the Board has delegated the powers to approve transfer of securities, issue of duplicate shares, request for issue of new certificates on split/ consolidation etc., to a committee of officers consisting of Sh. T.R. Gandhi, GM (BB&IA) and Sh. S.R. Sayal, Company Secretary. The Committee held regular meetings during the year and approved the transfer of shares, transmission of shares, Dematerialization of shares, rematerialization of shares and issue of duplicate shares. No share transfer request case is pending as on the date of the preparation of this report.

Share committee is reconstituted upon transfer of Sh. T.R.Gandhi from budget and banking section. Share transfer committee reconstituted w.e.f 24.04.2010 and Shri S.S. Beniwal GM(B&B) become member of the committee.

## 7. DETAILS OF SHAREHOLDERS/INVESTORS' COMPLAINTS ARE GIVEN HERE UNDER:-

No. of Share holders' complaints Received during the year 2009-10	No. of Shareholders complaints Solved	No. of Shareholders complaints pending as on 31.03.2010
36	36	Nil

## 8. COMPANY SECRETARY & COMPLIANCE OFFICER

Name of the Company Secretary & Compliance Officer

**Sh. S.R.Sayal**

Address: Jeevan Bharti Building, 12<sup>th</sup> floor, Tower I, 124 Connaught Circus, New Delhi - 110001.

Contact Telephone 011-23324587, Fax 011-23716655

## 9. LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETINGS :

Nature of meeting	Date and Time	Venue
23 <sup>rd</sup> Annual General Meeting	25 <sup>th</sup> Sept. 2009, 03.00 P.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001
22 <sup>nd</sup> Annual General Meeting	26 <sup>th</sup> Sept. 2008, 03.00 P.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001
21 <sup>st</sup> Annual General Meeting	28 <sup>th</sup> Sept. 2007, 03.00 P.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001

No special resolution was passed in the previous 3 AGMs and also no special resolution was passed last year through postal ballot.



## 10. DISCLOSURE

- i. All the relevant information in respect of materially significant related party transactions, i.e. transactions of the Company of material nature with its Promoters, Directors or Management, or their relatives or subsidiaries of the Company, etc. having potential conflict with the interest of the Company at large has been given in the Annual Accounts.
- ii. The Company has complied with statutory compliances and no penalty or stricture has been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter relating to the capital markets during the last three years.
- iii. Company has not framed yet Whistle Blower policy but no personnel has been denied access to the audit committee.
- iv. Company had complied all the major mandatory requirements and also adopted some of the nonmandatory requirements of clause 49.

## 11. MEANS OF COMMUNICATION

- a. The quarterly and half yearly results were published in English and Hindi Newspapers.
- b. The Company's Audited & Un-audited periodic financial results and Press Releases are posted on the Company's website.
- c. Detailed Management Discussion and Analysis Reports have been included in this Annual Report.
- d. The Company has also posted information relating to Corporate Governance etc. through Corp Filing as required by the Stock Exchanges.

## 12. GENERAL SHAREHOLDER INFORMATION:

- |                                |   |   |
|--------------------------------|---|---|
| i. <b>Date and Time of AGM</b> | — | 13 <sup>th</sup> October 2010, 11.30 a.m.                         |
| ii. <b>Venue</b>               | — | FICCI Golden Jubilee Auditorium, Tansen Marg,<br>New Delhi-110001 |
| iii. <b>Financial year</b>     | — | 1 <sup>st</sup> April 2009 to 31st March 2010                     |
| iv. <b>Financial Calendar</b>  | — |   |

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2010	12 <sup>th</sup> August 2010
Submission of Audited Accounts to C&AG of India	23 <sup>rd</sup> August 2010
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30 <sup>th</sup> June 2010	12 <sup>th</sup> August 2010



Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30 <sup>th</sup> September 2010	By 15 <sup>th</sup> Nov. 2010
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31 <sup>st</sup> December 2010	By 15 <sup>th</sup> Feb. 2011
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31 <sup>st</sup> March 2011	By 15 <sup>th</sup> May. 2011

- iv. **Dates of Book Closure** — 12<sup>th</sup> October 2010 to 13<sup>th</sup> October 2010
- v. **Dividend Payment Date** — N. A.
- vi. **Listing on Stock Exchanges** : The Equity Shares of company are listed at following Stock Exchanges.

(a) **The Delhi Stock Exchange Association Limited**  
DSE House, 3/1, Asaf Ali Road, New Delhi-110002.  
Tel: 011-23292039/40 Fax: 011-23292181

(b) **Bombay Stock Exchange Limited, Mumbai**  
Rotunda Building, Phiroze Jeejeebhoy Towers,  
Dalal Street, Mumbai-400001.  
Tel: 022-22655614/21/22 Fax: 022-22721072

(c) **The Calcutta Stock Exchange Association Limited**  
7, Lyons Range, Kolkata-700001  
Tel: 033-22201488 Fax: 033-22102210

(d) **Madras Stock Exchange Limited**  
11, Second Lines Beach. Chennai-600001.  
Tel: 044-25224382/83/93 Fax: 044-25244897.

(e) **The National Stock Exchange of India Limited**  
Exchange Plaza, 5th floor, Plot No. C/1,  
G Block, Bandra-Kurla Complex, Bandra(E)  
Mumbai-400051.  
Tel: 022-26598100/8235/8236  
Fax: 022-26598237/8238.

(f) **New York Stock Exchange**  
11, Wall Street, New York. (For ADRs)

The Listing Fee for the Financial Year 2010-11 has been paid to all stock exchanges.



**vii (a) Stock Code**

Bombay Stock Exchange	-	'MAHANGR TELE 108',
Delhi Stock Exchange	-	'13069'
Madras Stock Exchange	-	MTP'
National Stock Exchange	-	'MTNL EQ'
Calcutta Stock Exchange	-	'23036'
New York Stock Exchange	-	'MTE'

<b>(b) Demat ISIN Numbers in NSDL &amp; CDSL</b>	-	INE 153A01019
		The Annual Custodian Fees for the year 2010-11 has been paid to the depositories, NSDL and CDSL.

<b>viii) Market Price Data :</b>	Information relating to high, low, close price and volume during each month in last financial year at BSE is given hereunder:-
----------------------------------	--

**BOMBAY STOCK EXCHANGE (BSE)**

MONTH	HIGH PRICE	LOW PRICE	CLOSE PRICE	VOLUME
April 2009	78.85	68.50	72.05	4046448
May 2009	107.90	68.70	107.20	16253399
June 2009	123.70	92.60	97.30	18572844
July 2009	109.25	86.20	102.65	11598605
August 2009	101.50	103.80	92.50	6968542
September 2009	97.20	88.09	91.45	4870738
October 2009	92.00	68.10	69.00	4797545
November 2009	81.30	65.80	73.85	6069867
December 2009	78.00	70.55	73.75	4000399
January 2010	92.80	73.10	75.75	23028575
Feb 2010	74.80	78.80	69.00	7291534
March 2010	77.00	71.70	73.20	6651208

<b>(ix) Registrar and Transfer Agents</b>	—	M/s. Beetal Financial & Computer Services (P) Ltd. 3rd Floor, Beetal House, 99, Madangir, Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi - 110 062. Ph: 011 29961281-82 Fax No.: 011- 29961284
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- (x) **Share Transfer System** — As per the directives of Securities & Exchange Board of India, the Equity Shares of your Company have been mandated for trading in dematerialized form by all categories of investors since 1997. Share transfers in physical form are registered, if documents are complete in all respects, and returned within 15 days from the date of receipt in most cases and in any case within 30 days from the date of receipt

**xi) Distribution of shareholding as on 30<sup>th</sup> June 2010**

**NOMINAL VALUE OF EACH SHARE/UNIT RS 10**

Share Holding of Nominal Value of Rs.	No. of Share holders	% to Total	No. of Shares	Amount in Rs.	% to Total
1 TO 5000	136216	90.84	16651404	166514040	2.6431
5001 TO 10000	7371	4.92	6031850	60318500	0.9574
10001 TO 20000	3269	2.18	5027240	50272400	0.7980
20001 TO 30000	1030	0.69	2651039	26510390	0.4208
30001 TO 40000	517	0.34	1846418	18464180	0.2931
40001 TO 50000	372	0.25	1768299	17682990	0.2807
50001 TO 100000	591	0.39	4306474	43064740	0.6836
100001 and above	579	0.39	591717276	5917172760	93.9234
<b>TOTAL</b>	<b>149945</b>	<b>100.00</b>	<b>63,00,00,000</b>	<b>6,30,00,00,000.00</b>	<b>100.0000</b>

**(xii) Dematerialization of shares and liquidity**

As on 31st March 2010, almost all shares of the Company's equity share capital available in the market is in dematerialized form. The Company has entered into agreements with both the depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL), whereby shareholders have an option to dematerialize their shares with any of them.

**(xiii) There were no outstanding of GDRs/ADRs/Warrants or any Convertible instruments.**

**(xiv) Plant Locations**

The company has active operations of services in metro cities of Delhi and Mumbai.



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**13. BRIEF RESUME OF DIRECTORS APPOINTED DURING THE YEAR/PROPOSED TO BE APPOINTED/ REAPPOINTED AT THE ANNUAL GENERAL MEETING**

**(i) Shri Adit Jain — Independent Director**

Shri Adit Jain is the Chairman of IMA India, a business information company established in 1994. Previously Adit worked with Lazard India, an investment bank, as Vice President & Head, Corporate Advisory Services and was responsible for the Mergers and Acquisitions business. He has successfully handled assignments in the areas of public policy, entry strategy planning, location audits, competitor analysis, scenario planning, joint ventures etc. He has deposed, as an expert witness, at commercial litigations in the United States and in Parliamentary proceedings in India and Australia. He has authored over five hundred articles and papers in the domain of politics, international affairs, foreign policy, defence, the environment and business practices. He is also non-executive Director on the Corporate Board of the Sanmar Group; Shriram Transport Finance Company Ltd; Indosolar Ltd.; PR Pundit Public Relations Ltd. and BMR Associates. He is a member of the Board of Trustees of the Centre for Civil Society, an independent free-market think tank and the Adit Jain Foundation. He has a bachelor's degree in mechanical engineering from the Birla Institute of Technology and a master's degree in business administration from the Henley Management College, UK. He is a Fellow of the Royal Geographical Society.

**(ii) Shri Venkitaraman S. Iyer — Independent Director**

Shri Venkitaraman S. Iyer is Post Graduate in Commerce and a Chartered Accountant. He has a decade of experience in Managerial Positions in the areas of Corporate Finance & Accounts, Internal Audits and Management Audits, Commercial and Legal functions in big Corporate Houses.

He Worked with Prebon Yamane Group of Companies in its Indian Operations during the 1993-2006. He was also involved in advisory capacity in number of Blue chip Companies. He has been associated with leading structural and design consultants for feasibility study of BOT and BOOT projects of NHAI regarding Tuticorin Port Road Connectivity Project, Chelari-Kuttipuram Highway widening project, Cochin Airport (CIAL) proposal and Pondicherry Govt. Proposed entertainment complex. Besides, he has vast experience of Venture capital, Strategic partnership, management of Private equity funds and Mergers & Acquisitions & Corporate Finance.

Presently, he is a Director in Ruttonsha International Rectifiers Limited, Proprietor in Iyer & Associates, Chartered Accountants and Advisor in Mukta Arts Limited.

**(iii) Dr. Vijay Aggarwal — Independent Director**

**Dr. Vijay Aggarwal** has been our Director w.e.f 29.3.2010. Dr. Vijay Aggarwalis Professor and Chairperson of Operations Management at the Management Development Institute, Gurgaon. He is





an engineering graduate of 1970 in Mechanical and Industrial Engineering from the *Indian Institute of Technology, Bombay*. He has received his M.S. and Ph.D. in Operations Research and Computer Science in 1973 from the *Case Western Reserve University, Cleveland (USA)*.

He has been a consultant to several organizations and has undertaken action research and developmental projects funded by NSERC, CIDA, USAID, UNDP, ESCAP and EU-Asia.

He has several research publications covering various facets of management and decision sciences in major national and international refereed journals. He has received a range of awards, honors and recognitions including key editorial board roles on some of the prestigious international journals.

**(iv) Dr. Rajan Saxena — Independent Director**

Dr. Rajan Saxena has been our Director w.e.f. 29.3.2010. Dr. Rajan Saxena is former Director of IIM, Indore, S.P.Jain Institute of Management and Research and Dean of Narsee Monjee Institute of Management Studies, Mumbai. He has over 35 years of professional experience in management education, research, consulting and institution building. He is an alumnus of Shri Ram College of Commerce, Delhi, from where he did his Bachelor and Master's program in commerce. He did his Ph.D. work at Delhi School of Economics in marketing area and was awarded the degree by Delhi University. He has taught in top management Institutes in India like XLRI, SPJIM & R, IIM Calcutta, NMIMS and IIM Indore etc. He has also taught in University of Calgary, Canada and has been a British Council visitor at the University of Sterling, U.K. where he also taught in the entrepreneurship program. He is a Visiting Professor at Pace University, NY.

Dr. Saxena has been awarded several awards during the period from 1990 to 2002.

Dr. Saxena is/has been on the advisory and corporate board of several institutions & companies.

**(v) T.S. Narayanasami — Independent Director**

**Shri T.S. Naraynasami** has been our Director w.e.f. 29.3.2010. Shri T.S. Naraynasami is Bachelor of Science. He has worked in various capacity in Union Bank of India upto December 2000. Thereafter he held the position of Executive Director PNB from December 2002 to April 2004. He was Chief Managing Director of Andhra Bank from April 2004 to May 2005, Chief Management Director of Indian Overseas Bank from June 2005 to May 2007 and Chief Managing Director of Bank of India from June 2007 to May 2009. He has held various important positions in the Banking and Financial Sector like GIC, Indian Institute of Banking and Finance, Governing Board of Institute of Banking, National Institute of Bank Management, Primary market advisory Committee of SEBI etc. Presently he is Director Asset Management Company, Axis Mutual Fund, Managing Director and CEO of United Stock Exchange of India.



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(vi) **N.K. Joshi**

N. K. Joshi is an ITS officer of 1983 batch. Born on 6th October, 1959, Shri Joshi did his B.E. Degree in Electronics and Communication Engineering with Distinction from Indian Institute of Science, Bangalore. Joined TATA STEEL as Graduate Engineer Trainee in July 1981. Joined DOT as ADET in 1985. On promotion, worked as DET in Jorbagh, Tis-Hazari and Shakti Nagar areas in-charge of maintenance of outdoor plants. Worked as DGM in-charge of outdoor plants in South-II area. Worked as DGM (OP) and TDM, Mandi in HP Circle.

Posted on deputation to TCIL as Project Director, Kuwait for developing new businesses for the company and successfully completing existing ones. On repatriation worked as Dy. Administrator in USOF in DOT H/Q. On promotion to SAG worked as Jt. Administrator in USOF. Worked as GM in planning, Technical, Field area in Corporate and Delhi units of MTNL.

Since Sept., 2008 working as Dy. Director General (Service Unit) in DOT H/Q responsibility to act as Nodal Officer for TCIL, ITI VSNL and HTL besides co-ordinating SCT cell. He has been nominated as Govt. Director as the Board of MTNL w.e.f. August, 2010.





#### **14 CERTIFICATE OF COMPLIANCE AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT**

The certificate of compliance as stipulated under clause 49 of the Listing Agreement has been obtained from M/s V. K. Sharma & Co for the year ended on 31st March, 2010. The above certificate is enclosed with this Annual Report.

**V.K. SHARMA & CO.**  
**Company Secretaries**

422, Ocean Plaza, Sector-18, Noida  
Tel. : 0120-4221470, Mobile : 9811009592  
E-mail : vks\_cosecy@yahoo.com

#### **CERTIFICATE OF COMPLIANCE AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES OF INDIA**

To  
The Shareholders

1. We have examined the compliance of the conditions of corporate governance by Mahanagar Telephone Nigam Limited ( hereinafter referred as the 'company' ) for the year ended on 31st March 2010 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India
2. The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and according to the explanations given to us , we certify that the company has complied with the conditions of corporate governance as stipulated in the listing agreement mentioned above except that:
  - i) The Board of Directors did not have the stipulated 50% independent directors as required under Clause 49 of the Listing agreement during substantial part of the year and the Audit committee did not have the stipulated two third of independent Directors till 30th October 2009 .
4. We further state that the compliance is neither an assurance as to the future viability if the company nor the efficiency or effectiveness with which the management conducted the affairs of the company

**For V.K.SHARMA & CO.**  
Company Secretaries

**Place : New Delhi**  
**Date : 20 August 2010**

Sd/-  
**(Vijay Sharma)**  
FCS: 3440



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## MANAGEMENT DISCUSSIONS & ANALYSIS

This discussion contains forward looking statements, the performance of the company for the year 2009-10 and an outlook for the future. The report conveys expectations on future performance based on an assessment of current business environment. These could vary based on future developments.

### INDUSTRY STRUCTURE & DEVELOPMENTS

There has been a structural shift in the Indian economy over the past few years. The pace of growth has accelerated to a new level and there have been major productivity gains across a range of industries and services. The ensuing economic momentum has given rise to new and rising levels of income and prosperity. This has brought about a sea change in consumer preferences and life styles, opening up tremendous new opportunities in the telecom sector

### OPPORTUNITIES & THREATS

Given the headstart that the company has got in 3G services when compared with private operators, this lead could attract high end customers from other network to MTNL's network.

The Govt. has extended full exemption from special additional duty of custom on components and accessories of mobile handset including cell phones for a year thereby ensuring the affordability of owning a mobile connection by general public.

### MARKET RISKS

The telecommunications market in the cities of Delhi and Mumbai are among the most competitive markets. MTNL faces intense competition from the other mobile operators and the basic service operators. This has led to an increased pressure on margins due to reducing tariffs and also on the customer retention and acquisition. The Average revenue per user is also going down. With new operators coming in Delhi and Mumbai, such competitive pressures are likely to increase further, putting a further strain on the margins. Recently DOT has issued LOIs to a number of new players which will lead to increased competition to market share. MTNL is confined only in two cities i.e. Delhi and Mumbai, therefore MTNL is not able to expand its telecom services beyond its area of jurisdiction.

### POLICY AND REGULATORY RISKS

The telecommunications sector in India is one of the highest taxed sector. The high level of license fee is a big strain on the finances of the company. This is paid over and above all other taxes and duties which are levied on all other businesses. Regulatory policies cannot be foretold and may at time, be such as to affect the financials of the company.

### MANPOWER RISKS

There is a huge workforce and a large percentage of revenue is spent on staff. In comparison of the staff costs of other operators, it is much high in MTNL. This is a major risk which the company faces, as it has little flexibility in the matter and may have to continue to carry the cost.



Considering the tremendous growth of private sector and opportunities that have become available and availability of employment in telecom & IT sectors, retention of suitable manpower is a big challenge.

## **OUTSTANDING DUES**

Over the years, the amount owned to MTNL by its customers had been increasing and accumulated significantly. Realisation of dues from customers has become even more difficult in the increasingly competitive telecom market as the customers can close the connection and take services of other operators. Efforts are being made to reduce the outstanding and some success has been achieved in bringing down total outstanding in a multi operator environment, this risk remains.

## **HUMAN RESOURCE DEVELOPMENT**

The Company attaches the highest priority to the quality of intellectual capital at its disposal and believes that knowledge and skill level of its employees are the key to achievements of its corporate mission. MTNL has a sound recruitment policy and comprehensive training system.

During the past one year, your Company has laid greater emphasis on Human Resources Development. We have been devoting substantial resources on building a skilled workforce that has an innate capability to counter threats posed by ever changing business environment and to take advantages of opportunities presented to serve ever increasing customer base.

The Company has been conducting various training and development activities which apart from reorienting the employees towards the greater organizational purpose, are also focusing on eliminating any skill gap and technical obsolescence. The management's view on training is one of development of employees' overall personality and enabling them in becoming a vital productive resource.

## **INTERNAL CONTROL SYSTEM & THEIR ADEQUACY**

The company has internal control system commensurate with its size and nature of business and meeting with following objectives:-

- (i) Efficient use and safeguarding of resources
- (ii) Compliance with statutes, policies and procedures
- (iii) Transactions being accurately recorded and promptly reported

The Internal Control System provides well-documented policies, guidelines authorizations and approval procedures. The internal Audit Department conducts periodic audits across all locations and all functions throughout the year. The observations raised out of the audit are subject to periodic review and compliance monitoring. The Audit Committee of the Board on a regular basis reviews the internal audit Reports along with the report of the status of implementation of recommendations contained therein.



# *Annual Accounts* *(2009-10)*



**Bansal Sinha & Co.**  
**Chartered Accountants**  
**18/19, Old Rajinder Nagar,**  
**New Delhi-110060**  
**Ph.: 25853424,25722270**

**Goel Garg & Co.**  
**Chartered Accountants**  
**18, National Park, Lajpat Nagar- IV**  
**New Delhi-110024**  
**Ph.: 41636825,826**

## **AUDITORS' REPORT**

**To,**

**The Members of**

**Mahanagar Telephone Nigam Limited**

**New Delhi**

1. We have audited the attached Balance Sheet of Mahanagar Telephone Nigam Limited as at March 31, 2010, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto, in which, the accounts of 3 units namely Delhi unit, Mumbai unit and Mobile Service Unit (Delhi & Mumbai both) are incorporated, which have been audited by us. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) Order, 2004 (together the 'Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.
4. Further to our comments in the Annexure referred to in paragraph 3 above and subject to:
  - a) **Note No.5 (a,b &c) regarding claim of the company for deduction under section 80IA of the Income Tax Act, 1961 pending at various appellate authorities. We are unable to**



comment on the impact as the outcome of these cases is not ascertainable at this stage.

- b) Note No. 6 (b) regarding accounting of Interest Income of Rs.7708.40 millions on Income Tax Refund pending appeal effects which is subject to adjustment as per the final orders to be passed by the Income Tax Department.
- c) Note No.20(e) regarding the issue of pension liability on account of absorbed employees is yet to be settled with the DOT which may have substantial impact on the profitability of the company.
- d) Note No.16(a) & (b) regarding the amounts recoverable from DOT/ BSNL are subject to reconciliation and confirmation and in view of various pending disputes regarding each other's claims we are unable to comment on the impact of the same on the profitability of the company and Note No. 17 regarding non provision of certain claims of the BSNL on account of signaling charges, Transit tariff, MP Bills, IUC Claims and IUC claims of MTNL rebutted by BSNL, Service Connection billing & TAX charges recoverable and payable, pending identification, reconciliation and settlement of these and other similar claims of the company the impact of the same is not ascertainable. Besides, Note no.25 regarding non provision for interest payable/ receivable on balances during the year due to absence of agreement between the company and DOT/BSNL for interest recoverable/ payable on current account, except charging of interest on GPF claims receivable from DOT.
- e) The company has allocated the establishment overheads as per Annexure P and Administrative overheads as per Annexure Q. The company's policy in this regard needs to be made more scientific.
- f) Note No.44 regarding non provision of impairment of assets in terms with Accounting Standard 28.
- g) Note No. 30 regarding accounting of IUC income and expenditure on estimated basis.
- h) Note No. 38 (II) regarding the provision for employees benefits which have been made on the basis of actuarial valuation. There has been some changes in the assumptions taken for the purpose of this valuation, the issue being technical, we are unable to comment on the adequacy or otherwise of these provisions.
- i) Note No. 38 (VII) regarding non provision of Bonus to employees in view of heavy losses.
- j) Note No. 4 (iii)(b) regarding Non disclosure of the impact of the change in Accounting Policy regarding provision for Spill Over dues of closed leased circuit connections outstanding for less than three years.
- k) Note No. 19 (b) regarding non provision of spectrum charges @1% of the revenues from 3G Spectrum pending the receipt of method of calculation from DOT.





- l) Note No.8 regarding non provision of stamp duty for the properties where the conveyance/ lease deed is yet to be executed, and the amount is unascertainable.**
- m) Accounting Policy No. 2 (iv) regarding valuation of scrapped/decommissioned assets which are not being revalued every year.**
- n) Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts.**
- o) Note No. 26 regarding non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions.**
- p) Non provision of LTC/ encashment of LTC not availed by the employees, amount unascertained.**
- q) Note No. 21 regarding non provision of diminution in the value of investments in subsidiaries and joint ventures.**
- r) Note No.22 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.**
- s) Note No 15(b),3, regarding balance in subscriber's deposits account of Rs.7386.71 Million and interest accrued thereon of Rs.25.51 Million, unlinked receipts from subscribers Rs.385.21 Million are subject to reconciliation. Balance of sundry debtors as per Ageing Summary is short by Rs.62.09 Million with comparison to balance is general ledger though the same has been fully provided for ( Refer Note No. 14 and 15(c)). The reconciliation of metered and billed calls in various units is in process. The reconciliation of leased, operational and billed circuits is in progress. The final impact of above on the accounts is presently not ascertainable and the same may have an impact on the Profitability of the company.**
- t) During the year no reconciliation of roaming receivables has been carried out. The impact of non-reconciliation of roaming debtors on profitability ,if any, is unascertainable**
- u) The system of issuance of completion certificates by engineering department needs to be strengthened. The impact due to the delay in issuance of completion certificate on Fixed Assets and Depreciation is not ascertainable.**
- v) The balance of amount payable to GPF Trust is subject to confirmation, reconciliation and subsequent adjustments.**
- w) Note No.13 regarding the Bank Reconciliation Statements as at 31st March, 2010 include the unmatched/ unlinked credits and debits aggregating Rs.56.09 millions and Rs.69.16 millions respectively, which have not been properly accounted, in the absence of adequate particulars. The impact of such entries on the Accounts cannot be ascertained.**



- x) Note No. 28 regarding provision for ADCC recoverable from Project Development Company and non accounting of interest thereon in absence of explicit agreement to that effect.
- y) Note No.10 (d) regarding Claims receivables include Rs.22.5 Million towards ADC charges receivable from certain operators accounted for on adhoc basis in the financial year 2007-08 and which may have an impact on the results on settlement/acceptance.
- z) Note No.5 (e) regarding non deduction of tax at source on services received from BSNL and treatment of the expenditure on account of Pension liability on the basis of actuarial valuation as an allowable expense based on experts opinion.
- aa) Note No. 31 regarding a technical fraud involving a loss of Rs.243.55 millions which was observed during the year; however, no provision for the same has been made in the accounts as the matter is still under investigation.
- bb) The loss on account of unusable subscriber's instruments has not been ascertained and provided for.
- cc) Note No.36 regarding the requisite information & details for the identification of Micro, Small & Medium enterprises as such we are unable to comment upon the compliance of section 15 & 22 of the Micro Small & Medium Enterprises Development Act-2006.
- dd) The Company has not made following disclosures required under Schedule VI of the Companies Act, 1956 as per references given after each items:
  - i) Consumption of stores and spares (Para no.3 (x) (a) of part II)
  - ii) Consumption of imported and indigenous stores and spares and Percentage to the total consumption (Para no.4 D (C) of Part II)
  - iii) The classification of sundry debtors as unsecured without considering the security deposit that the Company has received from subscribers.
  - iv) Debtor's figures outstanding for more than six months and up to six months are ascertained by the management and relied upon by the auditors. The overall impact of matters referred to in the preceding paras on the loss for the year is unascertainable.

***We report that:***

- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper Books of Account, as required by law, have been kept by the Company, so far as appears from our examination of those books except that the following items referred to in paragraph (i) of Significant Accounting Policies are consistently accounted on cash basis, instead of on accrual basis as required under section 209 of the Companies Act, 1956 :



- 
- a) *Interest Income / Liquidated Damages, when realisability is uncertain.*
- b) *Annual recurring charges of amount up to Rs.0.10 Million each for overlapping period.*
- c) *Revenue on account of service connections is being accounted for when the recovery for the same is established.*
- iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report, are in agreement with the books of account;
- iv) *In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except AS - 2 regarding Valuation of Inventories (Refer Significant Accounting Policy No.3); AS-4 regarding Contingencies and Events occurring after the date of Balance Sheet; AS -5 regarding Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies [Refer Significant Accounting Policy No.1(i) and ii(a)];AS- 6 regarding Depreciation Accounting [Refer Significant Accounting Policy No. 2(v)];- AS - 9 regarding Revenue Recognition [Refer Accounting Policy No 1(ii); AS- 10 regarding Accounting of Fixed Assets (Refer Significant Accounting Policy No. 2);AS - 15 regarding Accounting for Retirement Benefits in the Financial Statements of Employers (Refer Note No.38 );AS 17 regarding Segmental Reporting: AS -19 regarding Leases: AS- 21 regarding related party transactions: AS -28 regarding Impairment of Assets (Refer Note No. 44 );AS-29 on Provisions for Contingent Liabilities and Contingent Assets.-*
- v) Since the company is a Government company, clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 regarding obtaining written representations from the directors of the company, is not applicable to the Company in terms of Notification No.GSR-829 (E) dated 21.10.2003);
- vi) Attention is further invited to the following without making them a subject matter of qualification: -
- a) *Note No.12 regarding over dues of Rs.1000 million on account of Cumulative preference Shares of one of the Govt. company which have considered good on the basis of comfort letter issued by the concerned Ministry.*
- b) *Note No. 19(a) regarding a claim for refund of 3 G and BWA License fee of Rs.110979.70 millions on DOT which has not been accounted for as the same is yet to be acknowledged by DOT.*
- c) *Note No. 27 regarding Provision for wage arrears amounting to Rs. 7369.25 millions which included an amount of Rs. 4566.99 millions pertaining to prior periods. The impact of the wage revision on the Retirement benefits amounting to Rs. 890.83 millions including Rs. 580.21 millions pertaining to Prior periods.*
- d) *Note No24. regarding retaining of outstanding liability of Rs.925.98 Millions on account of decommissioned assets pending arbitration case.*
- e) *Non availability of information about the transactions required to be entered in the registers maintained under section 301 of the Companies Act, 1961.*



- f) *Note No. 18(b) regarding accounting of Liquidated Damages subject to acceptance by the parties.*
- g) *Note No. 21 regarding non provision of diminution in the value of investments in subsidiaries and joint venture considering the diminution as temporary in nature.*
- h) *The amount of service tax included in debtors and adjusted from deposit is not generated from the system and is done on manual basis. Service Tax ageing is also not available.*
- i) *Revenue from pre paid services has been recognized on the basis of SIM activated and its usage output generated through system and certified by the management being a technical matter.*
- j) *Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized if it results in enhancement of revenue earning capacity as stated in Significant Accounting Policy 2(iii). This being a technical matter, we have placed reliance on the opinion of the management.*
- vii) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the significant Accounting Policies and together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and also give, subject to our observations in paragraph 4 foregoing, a true and fair view in conformity with the accounting principles generally accepted in India.
- (a) in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2010;
- (b) in the case of the Profit & Loss Account, of the Loss of the Company for the year ended on that date; and
- (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN- 06184N

**(Ravinder Khullar)**  
(Partner)  
(Mem No. 82928)

**For Goel Garg & Co.**  
Chartered Accountants  
FRN – 00397N

**(Ajay Rastogi)**  
(Partner)  
(Mem No. 84897)

**Place: New Delhi**  
**Date: 12<sup>th</sup> August, 2010**



## ANNEXURE -I TO THE AUDITORS' REPORT

### (REFERRED TO IN PARAGRAPH - 3 OF OUR REPORT OF EVEN DATE)

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 and as per the information and explanations given to us, the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we further report that:

1. (a) Delhi unit has maintained records of fixed assets. *In case of Mumbai Unit and MS unit Mumbai, fixed assets registers maintained w.e.f. 01.04.2002 are adequate in so far as these give full particulars of quantitative details. In MS unit - Delhi, records of fixed assets have been maintained except that the identification number is not mentioned in respect of office machinery and equipments. The Corporate Office has maintained fixed assets register showing full particulars including quantitative details.*
  - (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. As certified by the management, the Apparatus & Plants, vehicles and land and buildings were physically verified in accordance with programmed of verification by the management in this year and relied on by us. *In our opinion, the area of physical verification needs to be further strengthened.*
  - (c) The company has not disposed off any substantial part of its fixed assets during the year and as such there is no effect on the going concern.
2. (a) In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals.
  - (b) In our opinion, *the procedure of physical verification of the inventory followed by the management needs to be further strengthened. According to the information and explanations given to us, the physical verification of all the items of stores was carried out during the year by Delhi and Mumbai units. However, at MS unit, Delhi, physical verification was conducted only for SIM cards but detailed physical verification was not made available for the verification.*
  - (c) The Company is maintaining proper records of inventory. As per the information provide to us, discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of accounts.
3. Due to Non availability of information about the transactions required to be entered in the registers maintained under section 301 of the Companies Act, 1961 we are unable to comment on the same.



4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods / services. *In our opinion the internal control procedures needs to be further strengthened in regard to procedures with respect to the purchases under tenders floated and evaluated by corporate office. The system regarding reconciliation & confirmation of deposit to various departments, reconciliation between the exchanges generated calls & billed calls, reconciliation of the balance in subscriber deposit account with subsidiary record, needs to be strengthened. The overall internal control systems on revenue billing needs to be strengthened, as the amount of service tax is not generated from the system and service tax aging is also not available. System of reconciliation of IUC payable needs to be strengthened, as the amount generated as per the system for payable in certain cases has to be reconciled with some operators. Further in our opinion there should be a system of cross checking of IUC billing to operators. In respect of pending insurance claims of theft, fire and damage cases, more conscious perusal and follow up at apt interval is required.*
5. The Company has not made purchase of material from companies, firms or other parties listed in the register required to be maintained under section 301 of Companies Act 1956, aggregating during the year to Rs. 5,00,000/- or more in value in respect of each party. *The company has, however, obtained and provided the services from / to the companies, firms or other parties listed in the register required to be maintained under section 301 of the Companies Act, 1956. The above transactions, though required to be entered in the register required to be maintained under section 301 of the Companies Act, 1956, have not been entered.*
6. As informed to us, the Company has not accepted any deposits from the public during the year within the meaning of section 58 A of the Companies Act, 1956 and the rules framed there under. Therefore, the directives issued by the Reserve Bank of India are not applicable.
7. In our opinion, the Internal Audit System of the company is not commensurate with the size of the Company and the nature of its business. Moreover, *the authority and independence, extent of coverage of the areas of operations, frequency / quality of reporting / timeliness of the reporting and the follow up of internal audit observations need to be strengthened.*
8. The Central Government has prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of Companies Act, 1956 i.e. 01.04.2003. *The company has maintained the required Cost Records for the year 2008-2009 and the same records for the year under audit would be prepared after the audit of the final account. We have not carried out any detailed verification of these cost records.*
9. (a) There were no undisputed amounts payable in respect of Statutory Dues including Contributory Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any Other Statutory Dues outstanding as at 31.03.2010, for a period of more than six months from the date they become payable except



service tax payable on amount lying in unlinked credits accounts in units (amount not ascertainable). As informed to us, the provisions of Employees State Insurance Act are not applicable to the company. There has generally been no delay in depositing CPF contribution to the trust. GPF contribution, in respect of employees on deemed deputation, is generally remitted regularly to DOT cell. GPF contribution, in respect of absorbed DOT employees, has been deposited with the GPF Trust after registration of the trust with Income Tax Department.

<b>Name of the Statute</b>	<b>Amount (Rs) L.S.T</b>	<b>Amount (Rs) C.S.T</b>	<b>Period</b>	<b>Authority where pending</b>
Delhi Sales Tax Act	268131	92302769	1988-89	Addl. Comm. Sales Tax
Delhi Sales Tax Act	162120	20517000	1989-90	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1006001	15337192	1990-91	Addl. Comm. Sales Tax
Delhi Sales Tax Act	11660806	63932673	1991-92	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1437418	144392134	1992-93	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1699669	176491	1993-94	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1032760	201103762	1994-95	Addl. Comm. Sales Tax
Delhi Sales Tax Act	827253	88446906	1995-96	Addl. Comm. Sales Tax
Delhi Sales Tax Act	71319	0	1996-97	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0	102613	1998-99	High court
Delhi Sales Tax Act	1461	545178	1999-00	High court
Delhi Sales Tax Act	88527	5000	2000-01	High court
Delhi Sales Tax Act	2036407	15200	2001-02	Addl. Comm. Sales Tax
Delhi Sales Tax Act	371932	0	2002-03	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1255424	0	2003-04	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0	180544146	1987-88 to 1993-94	Addl. Comm. Sales Tax
Delhi Sales Tax Act	72041344	4234	2004-05	Addl. Comm. Sales Tax
Delhi Sales Tax Act	4459877	0	2005-06	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1914095	0	2006-07	Addl. Comm. Sales Tax
Delhi Sales Tax Act	265248583	0	2007-08	Addl. Comm. Sales Tax
<b>Total</b>	<b>365583127</b>	<b>807425298</b>		

- (b) According to the information and explanation given to us, there are no dues in respect of Custom Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute. However, the Company has not deposited Sales Tax /VAT Dues, Service Tax and Income Tax Dues on account of disputes as under:





## Local Sales Tax and Central Sales Tax / VAT:

### (i) Sales Tax

The unit has already deposited Rs. 154733054/- out of the total disputed liability stated above.

### (ii) Service Tax

Name of the Statute	Amount (Rs) Service Tax	Period	Authority where pending
Service Tax Act	110300000	2007-08	CEGAT

### Mumbai Unit

Name of the Statute	Nature of Dues	Amount under dispute not deposited	Year to which amount relates	Forum where the dispute is pending
BST ACT	Assessed Amount	672968	1993-94	MSTT
BST Act	Assessed Amount	52693370	1996-97	DC
BST Act Appeals	Assessed Amount	3514698437	1997-98	Jt. Commr. of Sales Tax
BST Act	Assessed Amount	59424662	1998-99	MSTT
BST Act	Assessed Amount	1013116938 35201675	1999-2000	Jt. Commr. of Sales Tax Appeals MSTT
BST Act	Assessed Amount	54329094	2000-01	MSTT
BST Act	Assessed Amount	101128984	2001-02	Jt. Commr. of Sales Tax Appeals
BST Act	Assessed Amount	49102898	2002-03	MSTT
BST ACT Appeals	Assessed Amount	2161090302	2003-04	Jt. Commr. of Sales Tax
BST ACT	Assessed Amount	1015717015	2004-05	Assessment order received on 19.4.2010. appeal to be filed.
Finance Act 1994	Service Tax: S.Clause Notice	4100000	2003-04	CESTAT
	<b>Total Rs.</b>	<b>8,061,276,343</b>		





Statutory dues which have not been deposited in respect of Mumbai MS unit as on 31<sup>st</sup> March, 2010.


S. No.	Nature of Dues	Amount under dispute not deposited	Forum where the dispute is pending
1.	Installation of BTS Site	3963453	CESTAT
2.	Installation of BTS Site	35665083	CESTAT
3.	Installation of BTS Site	7489891	CESTAT
4.	Installation of BTS Site	2248797	CESTAT
5.	Installation of BTS Site	2617816	CC
6.	Service Tax demand 03-04	2080000	Jt. Comm. (Appeals)
7.	Installation of BTS	3210353	CCF
8.	Installation of BTS	15167288	CCF
9.	Installation of BTS	12190290	CCF
	<b>Total</b>	<b>84632971</b>	

10. The company has incurred loss of Rs. 26109.71 Millions in the current year. There was no loss in previous years.
11. The Company has neither taken any loans from a financial institution / bank nor issued any debentures. Accordingly, clause 4 (xi) of the order is not applicable.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the order is not applicable.
13. The Company is not a Chit Fund or a Nidhi Mutual Benefit Fund / Society. Accordingly, clause 4(xiii) of the order is not applicable.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable.
15. According to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. The Company has not obtained any Term Loans. Accordingly, clause 4(xvi) of the Order is not applicable. The Company has not raised any Long Term or Short Term Loan. Accordingly, Clause 4(xvii) of the Order is not applicable.

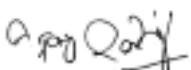


17. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
18. The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.
19. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.
20. According to the information and explanations given to us, no major fraud on or by the company has been noticed or reported during the year except as reported in Note No. 31 of Schedule T. The details with regard to status of frauds till 31.03.2010 have not been provided to us as such provision in this regard, if any, could not be ascertained.

**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN- 06184N

  
**(Ravinder Khullar)**  
(Partner)  
(Mem No. 82928)

**For Goel Garg & Co.**  
Chartered Accountants  
FRN – 00397N

  
**(Ajay Rastogi)**  
(Partner)  
(Mem No. 84897)

**Place: New Delhi**  
**Date: 12<sup>th</sup> August, 2010**



**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Balance Sheet as at 31st March, 2010**

		As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	A	6,300.00	6,300.00
Reserves & Surplus	B	111,714.10	114,293.68
<b>Deferred Tax Liability (Net)</b>	C	-	3,552.96
<b>Total</b>		<b>118,014.10</b>	<b>124,146.64</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	D	282,757.66	162,932.76
Less : Depreciation & Amortisation		117,207.90	100,094.42
<b>Net Block</b>		<b>165,549.76</b>	<b>62,838.34</b>
<b>Capital Work-in-Progress</b>	E	<b>11,779.60</b>	<b>9,504.79</b>
<b>Investments</b>	F	<b>5,095.37</b>	<b>4,650.92</b>
Current Assets, Loans & Advances			
Inventories	G	1,585.12	1,912.68
Sundry Debtors	H	7,200.37	7,824.67
Cash & Bank Balances	I	48,753.90	48,027.98
Other Current Assets	J	3,115.91	3,430.75
Loans & Advances	K	105,000.08	95,252.51
		<b>165,655.36</b>	<b>156,448.59</b>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	L	170,944.46	48,352.58
Provisions	M	82,651.66	61,910.32
<b>Net Current Assets</b>		<b>(87,940.76)</b>	<b>46,185.69</b>
<b>Deferred Revenue Expenditure</b>		-	966.90
<b>Profit and Loss Account Debit Balance</b>		23,530.14	-
<b>Total</b>	T	<b>118,014.10</b>	<b>124,146.64</b>
<b>Accounting Policies &amp; Notes to Accounts</b>			

The Schedules referred to above form an integral part of the Balance Sheet.  
In terms of our report of even date

For and on behalf of Board

**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

(Ravinder Khullar)  
(Partner)  
M.No: 082928

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

(Ajay Rastogi)  
(Partner)  
M.No.: 084897

(S.R. Sayal)  
Company Secretary

(Anita Soni)  
Director (Finance)

(R. Srinivasan)  
Dy. General Manager (Accounts)

(Kuldip Singh)  
Chairman & Managing Director

Place : New Delhi  
Date : 12th August, 2010



**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Profit & Loss Account for the year ended 31st March, 2010**

		For the year ended 31.3.2010 (Rs.in Million)	For the year ended 31.3.2009 (Rs.in Million)
<b>INCOME</b>			
Income from Services	N	36,561.00	44,559.99
Other Income	O	14,017.23	7,942.75
		<b>50,578.23</b>	<b>52,502.74</b>
<b>EXPENDITURE</b>			
Employees' Remuneration other than retirement Benefits	P	19,681.41	14,393.68
Employees' Remuneration for retirement Benefits-Provisions (Includes actual payouts Rs.2610.53 million (Previous Year Rs.1825.39 million))	P	29,981.09	6,880.28
Revenue Sharing		5,256.78	7,525.73
Licence Fee		3,837.02	4,285.75
Administrative, Operating & Other Expenses	Q	8,403.44	9,779.38
Depreciation & Amortisation	D	17,594.94	6,988.47
Interest	R	12.61	11.53
		<b>84,767.30</b>	<b>49,864.82</b>
<b>Profit/(Loss) Before Tax</b>		<b>(34,189.07)</b>	2,637.92
Provision for Tax		1.82	2,266.79
Provision for Deferred Tax		(3,552.96)	(1,312.20)
<b>Profit/(Loss) After Tax</b>		<b>(30,637.93)</b>	<b>1,683.33</b>
Prior Period Adjustments	S	351.50	(2,496.78)
Taxes for earlier period Written back/paid		(4,879.71)	2,062.94
<b>Profit/(Loss) For the Year</b>		<b>(26,109.72)</b>	<b>2,117.17</b>
Transfer from Contingency Reserve		2,579.58	-
<b>Profit/(Loss) available for Appropriation</b>		<b>(23,530.14)</b>	<b>2,117.17</b>
<b>Appropriations :</b>			
Interim / Final Dividend		-	630.00
Tax on Dividend		-	107.07
Transfer to General Reserves		-	1,380.10
<b>Profit and loss account debit balance</b>		<b>(23,530.14)</b>	-
		<b>(23,530.14)</b>	<b>2,117.17</b>
<b>Earning Per Share</b>			
Basic/Diluted earnings per share (in Rs.) (Refer Note 42)		<b>(41.44)</b>	<b>3.36</b>

**Accounting Policies & Notes to Accounts**

The Schedules referred to above form an integral part of the Profit & Loss Account.  
In terms of our report of even date

**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

**(Ravinder Khullar)**  
(Partner)  
M.No: 082928

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

**(Ajay Rastogi)**  
(Partner)  
M.No.: 084897

**T**  
  
**(S.R. Sayal)**  
Company Secretary  
  
**(Anita Soni)**  
Director (Finance)

For and on behalf of Board  
  
**(R. Srinivasan)**  
Dy. General Manager (Accounts)  
  
**(Kuldeep Singh)**  
Chairman & Managing Director

**Place : New Delhi**  
**Date : 12th August, 2010**



## SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2010

### SCHEDULE-A

#### Share Capital

	As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>AUTHORISED CAPITAL</b>		
80,00,00,000 Equity Shares of Rs.10/- each	8,000.00	8,000.00
<b>ISSUED SUBSCRIBED AND PAID UP CAPITAL</b>		
63,00,00,000 Fully paid		
Equity Shares of Rs. 10/- each	6,300.00	6,300.00
Out of the above shares		
(i) 59,99,98,400 Equity Shares are allotted as fully paid up pursuant to a contract without payment being received in cash out of which 35,43,72,740 Shares are held by the Government of India		
(ii) 3,00,00,000 Equity Shares are allotted as fully paid up represented by Global Depository Receipts (GDRs) through an International Offering in US Dollars. One GDR represented two equity shares. In Nov, 2001 the GDRs were exchanged in American Depository Shares (ADSs) on a one -for-one basis. One ADS also represents two of our equity shares.		
	<b>6,300.00</b>	<b>6,300.00</b>

### SCHEDULE-B

#### Reserves & Surplus

	As at 1.4.2009 (Rs in Million)	Addition during the year (Rs in Million)	Deduction during the year (Rs in Million)	As at 31.3.2010 (Rs in Million)
Share Premium	6,650.05	-	-	6,650.05
Share Premium (Prev. Year)	(6,650.05)	-	-	(6,650.05)
General Reserve	98,229.79	-	-	98,229.79
General Reserve (Prev. Year)	(91,714.71)	(6,515.10)	-	(98,229.79)
Reserve For Contingencies	9,105.84	-	2,579.58	6,526.26
Reserve For Contingencies (Prev. Year)	(14,240.84)	-	(5,135.00)	(9,105.84)
Reserve For Research & Development	308.00			308.00
Reserve For Research & Development (Prev. Year)	(308.00)	-	-	(308.00)
<b>TOTAL</b>	<b>114,293.68</b>	<b>-</b>	<b>2,579.58</b>	<b>111,714.10</b>
	(112,913.60)	(6,515.10)	(5,135.00)	(114,293.68)



## **SCHEDULE-C**

### **Deferred Tax Liability (Net)**

	<b>Deferred Tax Liability (Asset) As at 1.04.2009 (Rs. in Million)</b>	<b>Current Year Charge/(Credit) (Rs. in Million)</b>	<b>Deferred Tax Liability (Asset) As at 31.03.2010 (Rs. in Million)</b>
<b>Deferred Tax Liabilities</b>			
Difference between Book, Tax Depreciation & others	12,954.15	(119.36)	12,834.79
Difference between Book, Tax Depreciation & others (PreviousYear)	(13,166.97)	(-212.82)	(12,954.15)
<b>Total - A</b>	<b>12,954.15</b>	<b>(119.36)</b>	<b>12,834.79</b>
(PreviousYear)	(13,166.97)	(-212.82)	(12,954.15)
<b>Deferred Tax Assets</b>			
Provision for Doubtful Debts, Advances and Bank Balances	(4,165.84)	(182.56)	(4,348.40)
Provision for Doubtful Debts, Advances and Bank Balances (PreviousYear)	(-3913.29)	(-252.55)	(-4165.84)
<b>Provision for Obsolete Stock</b>	(281.54)	(13.57)	(295.11)
Provision for Obsolete Stock(PreviousYear)	(-275.16)	(-6.38)	(-281.54)
<b>3G and BWA Licence fees (Refer Note No.19)</b>	-	(3,379.45)	(3,379.45)
3G and BWA Licence fees (PreviousYear)	-	-	-
Others	(4,953.81)	141.98	(4,811.83)
Others (PreviousYear)	(-4113.36)	(-840.45)	(-4953.81)
<b>Total - B</b>	<b>(9,401.19)</b>	<b>(3,433.60)</b>	<b>(12,834.79)</b>
(PreviousYear)	(-8301.81)	(-1099.38)	(-9401.19)
<b>Deferred Tax Liability (A – B)</b>	<b>(3,552.96)</b>	<b>-3,552.96</b>	<b>(0.00)</b>
(Refer Note No.5(d) )	(4,865.16)	(-1312.20)	(3,552.96)

## SCHEDULE - D : FIXED ASSETS

DESCRIPTION	AS AT 1.4.2009	GROSS BLOCK (RS IN MILLION)				DEPRECIATION (RS. IN MILLION)				NET BLOCK (RS IN MILLION)	
		ADDITIONS DURING THE YEAR	ADJUSTMENTS DURING THE YEAR	SALES DURING THE YEAR	AS AT 31.3.2010	AS AT 1.4.2009	FOR THE YEAR	SALES/ ADJUSTMENTS DURING THE YEAR	AS AT 31.3.2010	AS AT 31.3.2010	AS AT 31.3.2009
<b>INTANGIBLE ASSETS:-</b>											
- APPLICATION SOFTWARE	430.05	134.77	-	-	565.00	121.13	54.58	-	175.71	389.12	308.93
- 3G & BWA LICENCE FEES (Refer Note No.19)	-	110,979.70	-	-	110,979.70	-	10,173.70	(213.20)	10,386.90	100,592.80	-
<b>LAND:</b>											
- FREEHOLD	190.48	-	-	-	190.48	-	-	-	-	190.48	190.48
- LEASEHOLD	2,782.93	34.23	-	-	2,817.16	333.93	29.90	-	363.83	2,453.33	2,449.00
BUILDING	12,088.63	558.92	4.33	-	12,643.22	3,258.52	439.19	2.21	3,695.50	8,947.72	8,830.11
LEASED PREMISES	52.92	-	-	-	52.92	8.25	0.99	-	9.25	43.67	44.67
LINES & WIRES	917.80	60.68	-	-	978.47	610.04	26.55	(0.07)	636.65	341.83	307.76
CABLE	69,872.71	1,421.83	62.78	4.64	71,227.12	47,776.15	2,046.70	90.04	49,734.24	21,492.89	22,095.13
APPARATUS & PLANT	69,992.77	7,156.13	579.44	91.24	76,478.22	44,282.74	4,462.14	607.17	48,136.29	28,341.92	25,711.45
VEHICLES	314.10	0.70	(0.62)	3.50	311.92	252.56	17.12	2.55	267.13	44.79	61.54
FURNITURE & FIXTURES	1,414.27	43.50	0.09	0.01	1,457.67	934.11	65.79	0.05	999.85	457.82	480.16
OFFICE MACHINERY & EQUIPMENTS	372.31	3.88	0.76	1.21	374.22	210.09	15.16	0.86	224.40	149.82	162.22
ELECTRICAL APPLIANCES	1,387.69	61.29	0.78	-	1,448.20	634.49	64.70	0.46	698.72	749.47	753.20
COMPUTERS	2,871.42	149.59	41.36	0.09	2,979.56	1,672.41	246.53	39.50	1,879.44	1,100.12	1,199.01
ASSETS SCRAPPED/ DECOMMISSIONED	244.69	46.71	37.43	-	253.96	-	-	-	-	253.96	244.69
<b>TOTAL</b>	<b>162,932.76</b>	<b>120,651.93</b>	<b>726.35</b>	<b>100.68</b>	<b>282,757.65</b>	<b>100,094.42</b>	<b>17,643.05</b>	<b>529.57</b>	<b>117,207.90</b>	<b>165,549.76</b>	<b>62,838.34</b>
<i>Previous Year</i>	<i>158,425.77</i>	<i>8,765.59</i>	<i>2,396.38</i>	<i>1,862.22</i>	<i>162,932.76</i>	<i>95,227.81</i>	<i>7,004.04</i>	<i>2,125.53</i>	<i>100,094.42</i>	<i>62,838.34</i>	<i>-</i>

### Notes

1. Additions during the year include adjustments on account of value difference, spill over cost, etc indentified during the year in respect of existing fixed assets

2. Depreciation charged during the year includes:

- Depreciation for the year
- Depreciation /adjustment relating to prior period
- Depreciation written back

**Rs.in.Million**

**17,594.94**

**48.12**

**-**

**17,643.06**



## **SCHEDULE-E**

### **Capital Work-in Progress**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Buildings	719.12	390.54
Apparatus & Plants	8,807.55	6,871.97
Lines & Wires	34.75	23.85
Cables	1,724.64	1,880.76
Subscribers' Installations	218.20	131.08
Air Conditioning Plants	295.97	222.96
<b>Less : Provision For Abandoned Works</b>	<b>(20.62)</b>	<b>(16.38)</b>
	<b>11,779.60</b>	<b>9,504.79</b>

## **SCHEDULE-F**

### **Investment**

	<b>As at 31.3.2009 (Rs.in Million)</b>	<b>As at 31.3.2008 (Rs.in Million)</b>
<b>Long Term-Non Trade (At Cost)</b>		
Investment in 10000000 8.75% Un Quoted preference share of Rs. 100/- each fully paid up with M/s. ITI Ltd. (Refer Note No.12)	1,000.00	1,000.00
<b>INVESTMENT IN SUBSIDIARY COMPANIES</b>		
MillenniumTelecom Ltd. (Un Quoted 2875880 Equity shares of Rs. 10 each fully paid up)	28.76	28.76
Mahanagar Telephone Mauritius Ltd. (Un Quoted 572264029 Equity Share of MUR 1 (INR 1.46) each fully paid up)	835.68	828.01
<b>INVESTMENT IN JOINT VENTURES</b>		
United Telecom Ltd. (Un Quoted 5736200 Equity Share of Nepali Rs. 100 (INR 62.50 ) each fully paid up)	358.51	290.15
MTNLSTPI IT Services Ltd.(Un Quoted 2282000 Equity share @Rs.10 each)	22.82	4.00
<b>OTHERS</b>		
Investment in LICMF Income Plus Fund-Daily Dividend Plan (34960174.079 units @ Rs.10 each, NAV as on 31.03.2010 is Rs.10 per unit)	349.60	-
Investment in Un Quoted 11.5% Bonds fully paid up of Maharashtra Krishna Valley Development Corporation Ltd. (Redemption in the Year 2012)	2,500.00	2,500.00
	<b>5,095.37</b>	<b>4,650.92</b>





## **SCHEDULE - G**

### **Inventories (At Cost)**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Stores and Spares:</b>		
Building Material	0.46	0.46
Lines & Wires	30.40	47.61
Cables	849.25	1,083.27
Exchange Equipments	535.54	617.89
WLL Equipments	12.90	12.93
Telephone & Telex instruments	255.51	265.60
WLL Instruments	170.96	181.85
Telephones & Telex Spares	1.31	2.80
Installation Test Equipments	0.21	0.32
Store - in -Transit (Including others)	0.38	-
Mobile Handsets & Sim Cards	29.15	13.69
	<b>1,886.07</b>	<b>2,226.42</b>
Less: Provision for obsolete stores	<b>300.95</b>	<b>313.74</b>
	<b>1,585.12</b>	<b>1,912.68</b>

## **SCHEDULE - H**

### **Sundry Debtors (Unsecured)\***

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Outstanding for a Period Exceeding Six Months</b>		
Considered Good including service tax Rs.549.92 Millions (Rs.494.15 Millions)	<b>3,255.87</b>	3,215.24
Considered Doubtful including service tax Rs.854.49 Millions (Rs.739.48 Millions)	<b>5,703.09</b>	5,055.91
<b>Other Debts</b>		
Considered Good including service tax Rs.200.67 Millions (Rs.246.30 Millions)	<b>1,110.33</b>	1,424.06
Income Accrued from services	<b>2,415.50</b>	2,927.50
	<b>12,484.79</b>	<b>12,622.71</b>
Less: Provision for doubtful debts	<b>5,268.44</b>	4,785.07
Less: Provision for wrong billing	<b>15.98</b>	12.97
	<b>7,200.37</b>	<b>7,824.67</b>



## **SCHEDULE - I**

### **Cash & Bank Balances**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Cash in hand (Including cheques in hand-Rs.39.58 Millions) (Previous year Rs.23.98 Millions)	<b>31.81</b>	54.33
<u>Balance with Scheduled Banks</u>		
In Current Accounts	<b>973.17</b>	1,244.72
In Fixed Deposit Accounts	<b>47,753.77</b>	46,728.99
 Balance with Non-Scheduled Banks		
In Current Account (Refer Note 35)	<b>5.66</b>	5.66
	<b>48,764.41</b>	<b>48,033.70</b>
 Less: Provision for Doubtful Bank Balances	<b>10.51</b>	5.72
	<b>48,753.90</b>	<b>48,027.98</b>

## **SCHEDULE - J**

### **Other Current Assets Unsecured Considered Good**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Interest Accrued on Deposits with Banks,	<b>1,897.08</b>	2,309.02
Interest Accrued on Bonds	<b>192.19</b>	192.19
Income Accrued From other Deposits & Loans & Advances	<b>1,026.64</b>	929.54
	<b>3,115.91</b>	<b>3,430.75</b>



## **SCHEDULE - K**

### **Loans & Advances**

#### **Unsecured Considered Good\***

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Loans &amp; Advances</b>		
<u>Secured Loans</u>		
i) Housing Loan To Employees	<b>1,309.39</b>	1,561.24
ii) Vehicles loan to employees	<b>59.78</b>	51.72
iii) Others loans to employees	<b>159.02</b>	148.06
<u>Unsecured Loans</u>		
(Considered good, unless otherwise stated)*		
To Other Corporates	<b>506.42</b>	826.26
Amount Recoverable from DOT	<b>32,330.54</b>	31,543.80
Amount Recoverable from BSNL	<b>20,318.25</b>	16,785.67
Advances Recoverable in Cash or in Kind or for value to be received.	<b>19,958.14</b>	7,383.62
Advance to JV Co (MTNLSTPI IT Services Ltd)	<b>0.01</b>	5.13
Taxes paid/deducted at source	<b>27,808.19</b>	34,181.87
Deposits with Govt. Deptt.	<b>450.25</b>	446.14
Capital Advance	<b>144.97</b>	152.14
Amount Recoverable from GPF Trust	<b>270.30</b>	836.37
Others	<b>2,170.56</b>	1,848.93
	<b>105,485.80</b>	<b>95,770.95</b>
Less: Provision for Doubtful Advances	<b>485.72</b>	518.44
	<b>105,000.08</b>	<b>95,252.51</b>

\* Except to the extent of doubtful advances recoverable in cash or in kind or for value to be received for which provision has been made.



## **SCHEDULE - L**

### **Current Liabilities**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<u>Sundry Creditors</u>		
(i) For Goods and Services	<b>6,292.78</b>	6,802.99
(ii) For Work done	<b>4,443.41</b>	3,470.54
(iii) For Others	<b>5,170.74</b>	1,788.30
Advances Received from Customers & Others	<b>1,398.70</b>	415.95
<u>Deposits from :</u>		
(i) Contractors	<b>307.10</b>	345.10
(ii) Customers & Others	<b>8,570.54</b>	9,279.05
Unclaimed Bonds	<b>0.06</b>	0.06
<u>Other Liabilities</u>		
(i) For Salaries and Other Benefits	<b>5,118.44</b>	618.44
(ii) Bonus/ Ex-Gratia	-	442.90
(iii) GPF of MTNL optee	<b>11,813.33</b>	10,877.90
(iv) Others	<b>9,975.29</b>	10,051.37
Income Received in advance against Services	<b>555.25</b>	554.83
<b><u>Amount Payable:</u></b>		
(i) To DOT	<b>112,265.01</b>	658.69
(ii) To BSNL	<b>4,517.21</b>	2,498.54
(iii) To VSNL	<b>50.20</b>	27.48
(iv) To Subsidiary Companies	<b>2.42</b>	6.37
(v) To Others	<b>463.05</b>	512.26
Interest Accrued but not due :		
(i) On Deposits	<b>0.93</b>	1.81
	<b>170,944.46</b>	<b>48,352.58</b>



## **SCHEDULE - M**

### **Provisions**

	<b>As at 31.3.2010</b> <b>(Rs.in Million)</b>	<b>As at 31.3.2009</b> <b>(Rs.in Million)</b>
<u>Pension</u>		
(i) Company Employees	<b>56,972.43</b>	33,486.60
(ii) Others	<b>121.71</b>	127.12
<u>Leave Encashment</u>		
(i) Company Employees	<b>5,573.00</b>	4,306.23
(ii) Others	<b>9.64</b>	6.51
Gratuity	<b>4,303.12</b>	2,609.66
Proposed Final Dividend	-	630.00
Tax on Dividend	-	107.07
Income Tax	<b>15,400.26</b>	20,367.34
Fringe Benefit tax	<b>257.45</b>	257.57
Wealth Tax	<b>14.04</b>	12.22
	<b>82,651.66</b>	<b>61,910.32</b>

### **Schedules Forming Part of Profit and Loss Account for the year ended 31-03-2010**

## **SCHEDULE - N**

### **Income from Services**

	<b>For the year ended 31.3.2010</b> <b>(Rs.in Million)</b>	<b>For the year ended 31.3.2009</b> <b>(Rs.in Million)</b>
<u>Telephone</u>		
(a) Rentals	<b>9,462.43</b>	10,382.79
(b) Calls & Other Charges	<b>7,887.19</b>	9,888.85
(c) Franchises Services	<b>1,319.55</b>	2,290.97
(d) Rent & Junction Charges		
(i) Mobile Operators	<b>1,289.28</b>	3,211.08
(e) Access Calls & Other Charges	<b>2,113.23</b>	3,304.03
VCC	<b>121.32</b>	204.10
Internet	<b>141.23</b>	189.97
Circuits	<b>525.01</b>	634.16
WLL Rent	<b>226.15</b>	289.23
WLL Call Charges	<b>145.44</b>	247.38
<u>Mobile</u>		
(a) Rentals, calls& IUC revenue	<b>1,939.88</b>	2,528.17
(b) Income from Roaming	<b>1,500.71</b>	1,492.05
(c) Pre paid Trupm	<b>3,394.66</b>	4,137.22
(d) Activation Charges	<b>6.89</b>	12.07
Broadband	<b>5,219.17</b>	4,474.65
<u>Value added and Other Services</u>		
(a) Indonet	<b>(0.00)</b>	0.26
(b) Voice Mail	<b>99.87</b>	91.18
(c) Free Phone	<b>180.52</b>	169.07
(d) Premium Rate	<b>0.52</b>	0.72
(e) ISDN - Rental	<b>422.96</b>	403.48
(f) ISDN - Call Charges	<b>467.53</b>	539.73
(g) VOIP Service	<b>12.94</b>	10.85
Others	<b>75.48</b>	57.97
3G SERVICE INCOME	<b>9.07</b>	-
	<b>36,561.00</b>	<b>44,559.99</b>



## **SCHEDULE - O**

### **Other Income**

	For the year ended 31.3.2010 (Rs.in Million)	For the year ended 31.3.2009 (Rs.in Million)
<u>Interest</u>		
(i) From Banks (Tax deducted at source Rs.630.66 Millions (Rs.1123.17 Millions)	3,986.14	4,751.40
(ii) Interest on Advances to Employees	160.58	128.64
(iii) Interest on Deposits, Advances and Others	291.81	357.25
(iv) Interest from Income Tax Department	8,316.90	1,425.70
Dividend from Mutual Fund	12.77	79.45
Sale of Directories, Publications, Forms etc.	16.47	10.24
Profit on Sale of Assets	21.78	19.93
Liquidated Damages	243.02	333.78
Foreign Currency Fluctuation Gain (Loss)	29.90	(55.28)
Bad Debts Recovered	63.30	29.09
Credit Balances Written Back	567.62	510.17
Rent on Quarters, Inspection Quarters, Hostels and other services provided	20.75	66.87
Others	286.18	285.51
	<b>14,017.23</b>	<b>7,942.75</b>

## **SCHEDULE - P**

### **Employees' Remuneration and Benefits**

	For the year ended 31.3.2010 (Rs.in Million)	For the year ended 31.3.2009 (Rs.in Million)
Salaries, Wages, Allowances and other Benefits	22,787.15	15,352.74
Bonus/ Ex-Gratia	4.94	526.44
Medical Expenses/Allowances	1,048.69	1,014.48
<u>Leave Encashment</u>		
(i) Company Employees	1,555.45	1,243.80
(ii) Others	11.61	6.57
<u>Pension Contribution</u>		
(i) Company Employees	25,693.68	3,413.18
(ii) Others	17.78	16.76
Contribution to Provident Fund	516.16	331.69
Gratuity	2,731.95	2,223.30
Compensation under VRS Scheme	967.73	625.11
Staff Welfare Expenses	40.03	47.46
	<b>55,375.15</b>	<b>24,801.52</b>
<b>Less :</b>		
Allocation to Capital Work-In-Progress	5,712.65	3,527.56
	<b>49,662.50</b>	<b>21,273.96</b>



## **SCHEDULE - Q**

### **Administrative, Operating and Other Expenses**

	<b>For the year ended 31.3.2010 (Rs.in Million)</b>	<b>For the year ended 31.3.2009 (Rs.in Million)</b>
Power & Fuel	<b>2,194.42</b>	1,830.56
Rent	<b>656.92</b>	649.73
Repairs & Maintenance:		
- Buildings	<b>173.60</b>	152.91
- Plant & Machinery	<b>1,025.64</b>	1,000.16
- Others	<b>388.18</b>	440.63
Insurance	<b>47.88</b>	32.72
Rates & Taxes	<b>432.38</b>	311.94
Travelling Expenses	<b>26.16</b>	36.81
Postage & Courier	<b>127.04</b>	142.48
Printing & Stationery	<b>109.80</b>	140.99
Vehicle Expenses:		
- Maintenance	<b>12.06</b>	15.95
- Running	<b>29.78</b>	33.25
- Hiring	<b>97.73</b>	98.10
Commission paid on Franchised Services	<b>811.28</b>	1,325.16
Comm. Paid to Pre Paid services	<b>2.35</b>	3.40
Advertising/Business Promotion Expenses	<b>392.94</b>	398.33
Provision for Doubtful Debts including		
Disputed Bills	<b>548.22</b>	741.76
Provision for Wrong Billing	<b>1.38</b>	1.26
Bad Debts Written Off	<b>183.67</b>	52.31
Provision for Obsolete Stores	<b>40.86</b>	18.78
Professional & Consultancy Charges	<b>66.79</b>	93.14
Seminar and Training Expenses	<b>17.62</b>	15.59
Miscellaneous Expenses	<b>736.95</b>	684.80
Loss on Sale of Assets	<b>14.11</b>	686.65
Internet charges	<b>341.91</b>	314.45
PSTN Charges	<b>19.51</b>	14.41
Spectrum Charges (WLL)	<b>6.98</b>	10.28
Spectrum Charges (MS)	<b>261.72</b>	306.80
Loss of Assets	<b>1.65</b>	535.60
	<b>8,769.55</b>	<b>10,088.92</b>
<b>Less: Allocation to Capital work in progress</b>	<b>366.11</b>	309.54
	<b>8,403.44</b>	<b>9,779.38</b>



## **SCHEDULE - R**

### **Interest :**

	For the year ended 31.3.2010 (Rs.in Million)	For the year ended 31.3.2009 (Rs.in Million)
<b>Interest on :</b>		
Customers' Deposits	6.59	10.82
GPF	0.07	-
Other	5.95	0.71
	<b>12.61</b>	<b>11.53</b>

## **SCHEDULE - S**

### **Prior Period Adjustments**

	For the year ended 31.3.2010 (Rs.in Million)	For the year ended 31.3.2009 (Rs.in Million)
<b><u>Debits</u></b>		
Salary,Wages,Allowances & Staff Expenses	40.23	-
Rates & Taxes	9.19	-
Repairs to Plant & Machinery	-	31.47
Depreciation/Amotisation	48.12	15.57
Others (Current year income tax Nil)		
“(Previous Year includes Tax Rs.57.87 Millions)”	257.38	59.46
	<b>354.91</b>	<b>106.50</b>
<b><u>Credits</u></b>		
Rate & Taxes written back	-	1.17
Income From Telephone	0.24	2.94
Interest on Income Tax Refund	-	2,536.44
Others	3.17	62.73
	<b>3.41</b>	<b>2,603.28</b>
<b>Net Adjustment</b>	<b>351.50</b>	<b>(2,496.78)</b>





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## **SCHEDULE FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2010.**

### **SCHEDULE – T - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

#### **A. SIGNIFICANT ACCOUNTING POLICIES**

##### **1. Basis of preparation of financial statements**

- i. The accounts are prepared under the historical cost convention adopting the accrual method of accounting except the following items, which are accounted for on cash basis:
  - (a) Interest income/liquidated damages, where realisability is uncertain.
  - (b) Annual recurring charges of amount up to Rs. 0.10 Millions each for overlapping period.

##### **ii. Revenue Recognition**

- (a) Revenue is recognized on accrual basis, including income from subscribers whose disputes are pending resolution, and closure of the subscribers' line. Revenue in respect of service connection is recognized when recoverability is established.
- (b) Provision is made for wrong billing, disputed claims from subscribers excluding operators ***covered under the agreements related to IUC/Roaming/MOU***, cases involving suspension of revenue realisation due to proceedings in Court and debtors outstanding for more than 3 years. ***In respect of closed connections provision is made for outstanding for more than 3 years along with spillover amount less than 3 years.*** In case of Mobile Services (GSM), the provision is made for dues, which are more than 180 days.
- (c) Activation charges recovered from the subscribers at the time of new telephone connection is recognized as income in the year of connection.
- (d) Activation charges in case of Mobile Services (GSM) is recognized as revenue on connection.
- (e) Income from services includes income from leasing of infrastructure to other service providers.
- iii. The cost of stores and materials is charged to project or revenue job at the time of issue. However, spill over items at the end of the year lying at various stores are valued at weighted average method.
- iv. The sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.



- v. Bonus / Ex - Gratia is paid based on the productivity - linked parameters and it is provided accordingly.
- vi. Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure, only cases involving sums exceeding Rs. 0.10 Millions are disclosed as prior period items.

### **1.1 Employee Retirement Benefits**

- a) In respect of officials who are on deemed deputation from DOT and other Govt. Departments, the provision for pension contribution is provided at the rates specified in Appendix 2(A) to FR 116 and 117 of FR. & SR. and provision for leave encashment is made @ 11% of pay as specified in appendix 2(B) of F.R.116 and 117 of F.R. & S.R. Provision of gratuity, in respect of these officers, is not required to be made.
- b) In respect of others, provision is made as per Actuarial Valuation.

## **2. Fixed Assets**

- i. Fixed Assets are carried at cost less accumulated depreciation. Cost includes directly related establishment expenses including employee remuneration and benefits and other administrative expenses. Establishment overheads and expenses incurred in units where project work is also undertaken are allocated to capital and revenue based either on time allocated or other attributable basis. Assets are capitalized, as per the practices described below, to the extent completion certificates have been issued, wherever applicable.
  - (a) Land is capitalized when possession of the land is taken. Value of Leasehold Land is amortized over the period of lease.
  - (b) Building is capitalized to the extent it is ready for use.
  - (c) Apparatus & Plants principally consisting of Telephone Exchange Equipments and Air Conditioning Plants are capitalized on commissioning of the exchange. Subscribers Installations are capitalized as and when the exchange is commissioned and put to use either in full or in part.
  - (d) Lines & Wires are capitalized as and when laid or erected to the extent completion certificates have been issued.
  - (e) Cables are capitalized as and when ready for connection with the main system.
  - (f) Vehicles and Other Assets are capitalized as and when purchased.
  - (g) Intangible assets include application software, are capitalized when ready for use.



- ii. The fixed assets of the company are being verified by the management at reasonable intervals i.e. once in every three years by rotation. The physical verification of underground cables is done on the basis of working of network and based on records available together with a certificate from the technical officers.
- iii. Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized if it results in enhancement of revenue earning capacity.
- iv. Upon scrapping / decommissioning of assets, these are classified in fixed assets at the lower of Net Book Value and Net Realisable Value and the estimated loss, if any, is charged to Profit and Loss A/c.

**v. Depreciation**

- (a) Depreciation is provided on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of Apparatus & Plant (including Air Conditioning System attached to exchanges), which is depreciated at the rates based on technical evaluation of useful life of these assets i.e. 9.5%, which is higher than the rates prescribed in Schedule XIV to the Companies Act, 1956.
- (b) 100 % depreciation is charged on assets of small value in the year of purchase, other than those forming part of project, the cost of which is below Rs.0.01 Millions in case of Apparatus & Plants, Training Equipment & Testing Equipment and Rs.0.20 Millions for partitions.
- (c) In case of intangible assets, the useful life of the assets is considered as 10 years and amortization is charged on depreciable amount accordingly. There will be no residual value at the end of the life of the assets.

**3. Inventories**

Inventories being stores and spares are valued at cost or net realizable value, whichever is lower. However, inventories held for capital consumption are valued at cost.

**4. Foreign Currency Transactions**

Transactions in foreign currency are stated at the exchange rate prevailing on the transaction date. Year-end balances of current assets and liabilities are restated at the closing exchange rates and the difference adjusted to Profit & Loss Account

**5. Investments**

Current investments are carried at the lower of cost & fair market value. Long term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.



## B. NOTES TO ACCOUNTS

	<u>2009-10</u> (Rs. in Million)	<u>2008-09</u> (Rs. in Million)
<b>1. Contingent Liabilities</b>		
(a) Income Tax Demands disputed and under appel	12161.97	10977.29
(b) Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	9429.22	1580.84
(c) Disputed Demand under Lease Act*	--	682.02
(d) i Interest to DDA on delayed payments/Pending Court Cases/ Tax cases	Amount Indeterminate	Amount Indeterminate
ii Stamp duty payable on land and buildings acquired by the Company	Amount Presently Unascertainable	Amount Presently Unascertainable
(e) Claims against the Company not acknowledged as Debts.	10372.83	6987.48
(f) Bank guarantee & Letter of Credit	950.89	941.88
(g) Directory dispute	2858.34	2858.34
(h) Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution	1738.10	1738.10
(i) Pending court cases against land acquisition	Indeterminate	Indeterminate
2. Estimated amount of contracts remaining to be executed on capital account in respect of Purchase order is Rs.9515.40 Millions (Previous year Rs. 4915.17 millions). In respect of contracts where the expenditure already incurred has exceeded the contract value and the contract remains incomplete, the additional expenditure required to complete the same cannot be quantified.		
3. Other liabilities include credits on account of receipts including service tax from subscribers amounting to Rs.385.21 Millions (Rs.352.04 Millions), which could not be matched with corresponding debtors or identified as liability, as the case may be. Appropriate adjustments/ payments shall be made inclusive of service tax, when these credits are matched or reconciled. Therefore, it could not be adjusted against making provision for doubtful debts.		



4. Change in Accounting Policy for the year 2009-10:

- (i) Provision is made for disputed claims from subscribers pending more than 3 years excluding operators covered under the agreements related to IUC/Roaming/MOU. There is no impact on the accounts due to the change in the policy.
- (ii) As per Revised AS-15, VRS expenditure deferred cannot be carried forward to accounting periods commencing on or after 1st April 2010. Hence Para 5 of the Accounting Policy of the last year in respect of Deferred Revenue Expenditure is deleted. Due to the change in the policy, an amount of Rs.340.31 Million has been additionally charged in the accounts. Accordingly the net losses include this amount and Misc. Expenditure in the Application of Funds in Balance Sheet is reduced to NIL due to this amount.
- (iii) In respect of closed connection provision is made for outstanding for more than 3 years along with spill over amount less than 3 years. The impact on the accounts due to the change in the policy is under:-
  - a. In basic service additional provision for Rs.18.11 Million has been made.
  - b. In circuits no provision is made as reconciliation is under process and as such impact on loss due to change is not ascertained.
- (iv) Change in method of calculation of ISP license fee implemented for the financial year 2009-10 vide MTNL CO letter No. MTNL/RA/AGR/2009/Pt dated 29th March, 2010 is also extended for the previous years also. The same is approved in the ECM held on 12th June, 2010 and accordingly the license fees is reduced by Rs.105.53 millions. For the financial year 2009-10 the license fees is reduced by Rs.35.11 millions.

- 5.
- a) The company had claimed benefit under section 80 - IA of the Income Tax Act, 1961 for the financial year from 1996-97 to 2005-06. The provision of Income Tax for the financial year 1996-97 to 1998-99 was made without considering the benefit u/s 80IA. For the F.Y. 1997-98 to 2001-02 and 2004-05, the benefits under section 80IA of the Income Tax Act were allowed to the extent of 75% by ITAT.
  - b) A Contingency Reserve of Rs.6526.25 millions was created from the Profit & Loss Appropriation Account to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act, 1961. The contingency reserve so created excludes an amount of Rs.4020.35 millions for which the provision was created from the years 1996-97 to 2000-01 and the same is still maintained in the books of accounts after considering the benefit as allowed by ITAT in the current year.
  - c) During the year an amount of Rs.2579.58 million has been written back from contingency reserve to Profit & Loss Appropriation Account on account of decrease in contingent reserve as a result of allowance of 75% of 80IA claim by ITAT.
  - d) In accordance with Accounting Standard 22, accounting for taxes on Income, the company has



deferred tax assets amounting to Rs.10571.36 million including Rs.6350.64 million on account of unabsorbed depreciation and brought forward losses as on 31.3.2010 as against the deferred tax liability of Rs.3552.96 million as on 31.3.2009. However, in the current Telecom Industry Scenario, there is no virtual certainty of availability of sufficient future taxable income in the near future against which the above asset can be realized. Hence, the Deferred Tax asset has been accounted for only upto the extent of existing DTL Rs.3552.96 million. Balance amount of Rs.7018.40 millions for prospective DTA shall be created in the year in which the company will have virtual certainty of future taxable income as required by AS-22 issued by ICAI.

- e) Based on expert opinion, the company has not been deducting tax deducted at source for IUC services rendered from BSNL. Besides liability provided on account of pension contribution expenditure on the basis of actuarial valuation is considered as an allowable expenditure based on expert opinion.
6. a) Provision for taxation for the current year comprises of Income Tax of Rs. Nil, Wealth Tax of Rs.1.82 Millions.
- b) During the year Company received ITAT order for allowance of 75% of claims U/s 80IA against the claims of the company for the assessment year 1998-99 to 2002-03 and 2005-06. As a result of which refund of Rs 17676.5 million is expected from Income tax department. Out of this, Rs 7708.4 million are attributable towards interest income and accounted for in the current financial year pending appeal effects.
- c) During the year, the company has suffered a business loss of Rs.26109.72 millions. The company intends to carry forward its business loss including unabsorbed depreciation/amortization to the tune of Rs.20945.49 million as per calculation made under Income Tax 1961.
7. (a) The supplemental agreement entered into between United India Periodicals Pvt. Ltd. / United Data Base (India) Pvt. Ltd/ Sterling Computers Ltd and the company for printing of telephone directories was struck down by the Hon'ble High Court of Delhi on 30.9.92 and the said decision was upheld by the Hon'ble Supreme Court of India on 12.1.93. A claim against the Company has been raised by Sterling Computers Ltd. for Rs. 258.2 Millions which being under dispute, has not been provided for. The company has filed its counter claims of Rs. 228.7 Millions before the Hon'ble High Court against Sterling/UDI/UIP and has also filed arbitration claims of Rs. 561.8 Millions plus interest @ 21% per annum against these parties under the original agreement. Pending finalization of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for Rs. 154.91 Millions (Rs. 154.91 Millions) on account of royalty, interest and billing charges and on payments made through Letter of Credit; Rs.130.47 Millions (Rs.130.47 Millions) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the Nigam for interest and service charges aggregating Rs.143.67 Millions (Rs.143.67 Millions) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realization of claim and further claims recoverable shall be effected upon determination based on the outcome of the proceedings in the court of law.



MTNL has filed OMP No.151/1996 seeking enlargement of time under Section 28 of the Arbitration Act for the Arbitrator to publish the award. The case is still pending and will be listed along with OMP No.135/94 for final hearing. The petitioner M/s United India Periodical (Ltd.) filed OMP No.135/94 in the High Court of Delhi challenging the appointment of Arbitrator under Section 33 of the Arbitration Act 1940. The Petition is pending from 24.10.1994 in the High Court of Delhi. Now the petitioner has filed an application for amendment in the petition filed in the year 1994 with the prayer that the arbitration clause 20 of the original contract dated 14.3.1987 be determined by the Hon'ble Court of the subsequent events. The petitioner has also took plea of res-judicata as the MTNL filed the Suit No.4628 of 1994 in Mumbai and the same is pending before the Bombay High Court. The case is now listed in the category of final matter and is on regular board of the Court for the both the aforesaid OMP's.

The suit filed by MTNL against M/s Sterling Computers and others is pending in the High Court of Mumbai in which claims to the tune of Rs.228.7 millions towards Royalty, Interest on Royalty amount upto 31.8.1994, amount paid against LC, Interest on amount of LC, L/D for non-performance and other charges etc. for Delhi and Mumbai both units. This suit is filed after non-performance of supplementary agreement dated 19.7.1991 & 26.9.1991 by M/s Sterling Computers Ltd. The case is still pending at Mumbai High Court.

- (b) MTNL entered into contracts with M/s M & N Publications Limited for printing, publishing and supply of telephone directories for Delhi and Mumbai units for a period of 5 years starting from 1993. In view of the breaches of the terms and conditions of the contracts committed by the contractor in publishing first issue of the directories of both units and their failure to execute the remaining part of the contracts, both the contracts were terminated by MTNL on 22.07.1996. Income from royalty and other applicable recoveries, for first issue published by contractor, Rs. 181.2 Millions have been accounted for and received. As regards Delhi Unit, MTNL has claimed to the extent of Rs.2110 millions (approx.) plus interest thereon at various rates while M/s M&N Publications have counter claim of Rs.2860 millions (approx.) plus interest thereon. Sole Arbitrator has been appointed by both the parties. The effect of claims under the contract for remaining issues published by contractor will be accounted for in the year of issuing of award by the Sole Arbitrator.
8. Certain Lands and Buildings capitalized in the books, are pending registration/legal vesting in the name of the company and the landed properties acquired from DOT have not been transferred in the name of the company and in the case of leasehold lands, the documentation is still pending. In case of Mumbai Unit legal vesting of land and building of the value of Rs. 69.26 Millions acquired after 1st April, 1986 is under process.
9. The Mumbai Unit had applied for amnesty under the Maharashtra Kar Nivaran Yojana, 1999 in respect of the Sales Tax demands of Rs 8.10 Millions (Rs. 8.10 Millions). The application for amnesty towards demands aggregating Rs.2.09 Millions (Rs.2.09 Millions) has been accepted. The balance applications relating to demands of Rs.6.02 Millions (Rs.6.02 Millions) are under process and are not included under Contingent Liabilities.
10. a) Delhi Unit has accounted for the expenditure on account of telephone bills of service connections raised by BSNL towards MTNL for the period from 01.10.2000 to 30.09.2006 to the tune of Rs. 98.01 millions on the basis of actual reimbursement made for subsequent periods against the





disputed claim of Rs.312.72 millions, since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of Rs. 214.72 millions is shown as contingent liability.

- b) During the year, the units have accounted for Rs.700.83 millions (Rs 1223.45 m) including service tax toward interconnect charges for usage of TAX for carriage of traffic on the rates prescribed by TRAI in IUC regulations in the absence of any inter connect agreement with MTNL and BSNL. BSNL is also charging the same and the claims raised by both parties are under reconciliation.
  - c) During the year an amount of Rs.403.17 millions (Rs. 2199.36 m) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL and Rs.12.62 million (Rs 89.79 m) vice-versa.
  - d) In respect of Delhi Unit, claim receivables includes Rs.22.5 millions towards ADC charges receivable from certain operators accounted for on adhoc basis in the financial year 2007-08 and is subject to change on settlement/acceptance.
  - e) During the year an amount of Rs.86.12 millions (Rs. 364.18 m) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.
11. As per directions of the court one UASL operator has deposited Rs.3412.74 million against the claim of the same amount. The company has recognized revenue of Rs.2367.90 millions in the year 2004-05 and Rs.1044.84 millions in the year 2005-06. The petition filed by UASL Operator before Hon'ble High Court, Delhi is dismissed as withdrawn with a liberty to the UASL operator to take steps in accordance with the Law. The matter is presently pending with the Hon'ble Court.
12. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to Rs.1000 Millions during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in 5 equal installments. Accordingly, five installments amounting to Rs.200 Millions each, aggregating to Rs.1000 Millions have become redeemable, which have not been redeemed by ITI Limited. As per letter No.U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the above cumulative Preference Shares was deferred to 2012-13 onwards in five equal installments. Moreover, no dividend income has been booked in the accounts for the same, as ITI Limited has not declared any dividend.
13. In respect of Mumbai Unit, the bank reconciliation statements as at 31st March, 2010 include unmatched/ unlinked credits/ debits given by the banks in the Mumbai Unit's bank accounts amounting to Rs.56.09 million (Rs.55.25 million) and Rs. 69.16 million.(Rs.63.23 million) respectively, which could not be properly accounted for in the absence of adequate particulars.
14. In respect of Mumbai MS Unit, sundry debtors as per billing system is Rs.697.78 millions (excluding service tax) (Rs 697.9 m). Sundry Debtors as per WFMS is RS.715.47 millions (excluding service tax) ( Rs 694.2 m). Difference is Rs 17.70 millions (Rs 3.7 m). Out of total sundry debtors of Rs.715.47 millions (Rs 694.2 m), an amount of Rs.84.17 millions (Rs 92.8 m) is secured against the deposit available as on 31.03.2010.





15. a) Deposits from applicants and subscribers as on 31st March 1986 were Rs.1503.59 Millions as intimated provisionally by DOT. Corresponding assets shown under claims recoverable are being reduced by the amount of recovery of rebate on rental and by the amount of recovery of application deposit for which connections have been released to subscribers with effect from 1.4.1986. Balance still recoverable from DOT on this account is Rs. 558.45 Millions.
- b) The balance in the Subscribers' Deposit Accounts of Rs.7386.71 Millions (Rs. 8036.07 Millions) and Interest Accrued and Due thereon of Rs.25.51 Millions (Rs. 26.54 Millions) is subject to reconciliation with the relevant subsidiary records.
- c) The aggregate balance of sundry debtors as per the subsidiary records is short by Rs. 44.39 millions (Rs.57.55 millions) as compared to the balance in general ledger and under reconciliation. The resultant impact of the above on the account is not ascertainable.
16. a) Amount recoverable on current account from DOT is Rs.32330.54 Millions (Rs. 31543.80 Millions) and amount payable is Rs.112265.01 Millions (Rs.658.69 Millions). The net recoverable of Rs.(-) 79934.47 Millions (Rs. 30885.11 Millions) is subject to reconciliation and confirmation.
- b) The amount recoverable from BSNL is Rs.20318.25 Millions (Rs.16785.67 Millions) and amount payable is Rs.4517.21 Millions (Rs. 2498.54 Millions). The Net recoverable of Rs.15801.04 Millions (Rs.14287.13 Millions) is subject to reconciliation and confirmation.
17. Certain claims of BSNL on account of Signaling charges Rs.219.30 millions, Transit tariff Rs.251.90 millions, MP Billing Rs.60.10 millions, Service Connections Rs.401.48, IUC Rs.101.40 millions and IUC from Gujarat Circle Rs.11.14 millions are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary.
18. a) License Fees is calculated on the AGR accounted for on accrual basis in respect of both revenue and revenue sharing with other operators. Pending judgment from Supreme Court on appeal by DOT against TDSAT judgment, the claim of refund of License Fees on other income is not accounted for and shall be made in the year of supreme court judgment.
- b) Liquidated Damages recovered from M/s ITI Ltd. and convergent billing cases are accounted for in other income is as per terms of agreement.
19. a) In accordance with DOT Guide lines dated 1.8.2008 on 3G spectrum and BWA and on finalization of the price on spectrum vide DOT letter No. F No P-11014/13/2008-PP dated 21st May, 2010 for 3G & DOT letter No. P-11014/13/2008-PP dated 12th June, 2010 on BWA Spectrum, the liability for Rs.110979.7 millions has been accounted by creating intangible assets on one time charges payable to DOT for 3G & BWA Spectrum in accordance with AS-26 and to be amortized for 20 years/15 years respectively on straight line basis. Accordingly, the amortized amount for the period from 08.08.2008 to 31.03.2010 is provided as under:

For 2008-09	For Both Delhi & Mumbai	3869.10 million
For 2009-10	-do-	6304.60 million



Though, a claim has been lodged with DOT vide DO No.MTNL/CO/GM(Tech.)/Spectrum allocation/09-10/Vol.III dated 2nd July, 2010 for refund of Rs.110979.7 million towards 3G/BWA Spectrum which has been paid by MTNL to DOT in May/June, 2010. This claim is not accounted for in the books as the same is yet to be acknowledged by DOT.

- b) Annual Spectrum charges of 1% on the incremental revenue due to 3G services after a period of 1 year is not accounted for pending receipt of method of calculation from DOT vide DOT Letter No.P-11014/16/2008-PP dated 11.09.2008.
20. a) Out of total provision of Gratuity of Rs. 10444.63 Millions up to 31.3.2010 (Rs. 8380.22 Millions), an amount of Rs. 1943.73 Millions and Rs. 665.40 Millions is recoverable from DOT, in respect of Group C & D and Group B employees respectively, for the period prior to their absorption. As on 31.03.2010 Rs. 7835.50 Millions is available with the Gratuity Trust.
- b) The total provision of Leave Encashment is Rs. 5573.00 Millions up to 31.3.2010 (Rs. 4306.23 Millions). Out of this, an amount of Rs. 816.18 Millions and Rs. 274.53 Millions is recoverable, from DOT in respect of Group B and Group C & D employees respectively for the period prior to their absorption in MTNL.
- c) An amount of Rs. 11793.88 Millions (Rs. 11357.08 Millions) towards GPF contribution is recoverable from DOT as on 31.3.2010. The amount pertains to Group C& D and Group B employees absorbed in MTNL w.e.f. 01.11.98 and 01.10.2000, respectively.
- d) The total provision of Pension is Rs. 56972.43 Millions (Rs. 33486.60 Millions) upto 31.3.2010. Out of this an amount of Rs. 7546.2 Millions and Rs. 2201.02 Millions is recoverable from DOT as principal in respect of Group C&D and Group B employees for the period prior to their absorption.
- e) The DOT has given commitment vide GOI Ministry of Communication & IT, Deptt. Of Telecom vide letter No.40-29/2002-Pen(T) dated 29th August, 2002 that it has been agreed in principal that the payment of pensionary benefits including the family pension to the government employees absorbed in MTNL and who have opted for government scheme of pension shall be paid by the government. The exact modalities in this regard are being worked out by Deptt. Of Pension and Pensioners welfare. Pending decision on the modalities of liabilities payable to DOT towards pension contribution on MTNL, so as to have a prudent method, on conservative basis, MTNL has adopted the method of valuation as per AS-15 (Revised) through actuarial valuation for defined benefit plan of Central Govt. Pension Scheme and the provision for Rs.56972.43 millions as on 31.03.2010 is kept separately in the books under Schedule 'M' pending final decision of the issue. The above liability is subject to modalities to be finalized by DOT and may vary. The necessary adjustment will be made in the books on finalization.
21. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary hence no provision is made.
22. The amount of receivables and payables (including NLD / ILD Roaming operators) is subject to confirmation and reconciliation. Pending such confirmation/ reconciliation, the impact on the account is not ascertainable at this stage.



23. In respect of Delhi Unit, Certain claims in respect of damaged/lost fixed assets and inventory has been lodged with Insurance Companies and accordingly gross block, accumulated depreciation and value of inventory have been withdrawn in the respective years pending settlement of the claim. The claims are still pending with insurance company. The final adjustment in respect of difference between amount claimed and assets withdrawn will be made in the year of settlement of claim.
24. In both units, Delhi Unit & Mumbai Unit, CDMA exchanges of 100K & 50K have been decommissioned during financial year 2008-09 by the management and necessary provision has been made for Rs.1210.28 millions as loss of assets in accordance with accounting policy. The liability on this project amounting to Rs.925.98 millions (includes \$ 13973820) lying in the books for more than three years and not paid to vendor due to issue arising out of contract agreement, is not written back in view of pending arbitration case filed by vendor.
25. There is no agreement between the Company and DOT for interest recoverable/Payable on current account. Accordingly, no provision has been made for interest payable/receivable on balances during the year except charging of interest on GPF claims receivable from DOT.
26. Vacant Land is valued at original value for the purpose of wealth tax provisions.
27. 2nd Wage Revision for IDA employees was implemented w.e.f.1.1.2007 in accordance with Corporate Office order No. MTNL/CO/IRW/22(90)/09/Exec/261 dated 14/05/2010 for Executives and MTNL/CO/IRW/22(90)/07/NE/260 dated 14/05/2010 for Non-Executives as per Board resolution dt. 26.2.2010. The Impact of the same on the accounts is as follows:-

<b>Period</b> <b>Particulars</b>	<b>1.1.2007 to 31.3.2009 (Rs. In Million)</b>	<b>1.4.2009 to 31.3.2010 (Rs. In Million)</b>	<b>Total upto 31.3.2010 (Rs. In Million)</b>
Executives	1121.66	668.96	1790.62
Non-Executives	3445.33	2136.61	5578.63
<b>Total</b>	<b>4566.99</b>	<b>2805.57</b>	<b>7369.25</b>

The impact of 2nd Wage Revision on Pension (including Commutation), Gratuity and Leave Encashment in respect of employees retired between 01.01.2007 and 31.03.2010 is as Follows:-

<b>Particulars</b>	<b>Categories</b>	<b>1.1.2007 to 31.3.2009 (Rs. In Million)</b>	<b>1.4.2009 to 31.3.2010 (Rs. In Million)</b>	<b>Total (Rs. In Million)</b>
Retirement Benefits	Executives	155.85	84.12	239.97
	Non-Executives	424.36	226.50	650.86
<b>Total</b>		<b>580.21</b>	<b>310.62</b>	<b>890.83</b>



28. A sum of Rs.131.25 millions accounted for as income in financial year 2007-08 being ADCC recoverable from Project Development Company (PDC) towards development of Core knowledge park at Noida is still to be recovered and interest there on for the current period is not accounted for as the issue of funding of the project by MTNL is raised by the PDC and pending decision by corporate management and also as there is no explicit agreement for interest no provision as such is made.
29. MTNL Delhi unit has received a sum of Rs.1000.0 Million wet lease towards telecom infrastructure of common wealth games-2010 project (CWG-2010) which has been booked as advance from customer. The expenditure being incurred against this project is being booked as Work-in-progress. The final adjustment will be done on completion of the project.
30. In respect of MS Delhi Unit, IUC Income and Expenditure from August 2009 to March 2010 has been accounted for on estimation basis based on average of actual from April 2009 to July 2009 due to non-processing of data due to technical problems.
31. In respect of MS Delhi, a sum of Rs. 243.55 million payable to TCL for ILD charges for the period Oct-09 to March-10 has not been paid due to heavy spurt in ILD traffic towards M/S TCL. On technical analysis it was found that these calls were made to some dubious and tiny destination. These destinations do not confirm to national numbering plan of the respective countries and are not approved destinations as per approved interconnect agreement. Further these calls has not got physically terminated to the destinations The observations were shared with M/S TCL. M/S TCL has also been advised that the balance which relates to fraudulent calls is not payable and accordingly no provision has been made in the books of accounts. However the above has been shown as part of contingent liability.
32. In respect of accounting for billing of subscribers for Mobile services and collection made thereon, the GSM Mumbai unit has implemented computerized billing system and the financial entries for booking of income and debtors accounting have been incorporated in the books of accounts based on the output generated through computer system.
33. In respect of Mumbai Unit pending final settlement, the following have not been accounted for:

	<b>(Rs. in Millions)</b>	
	<b>2009-10</b>	<b>2008-09</b>
a) Customs Duty Refund Claims	53.21	53.21
b) Insurance Claims for damages due to floods	228.82	228.82
c) other Insurance Claims	4.66	-
d) Service Charges for 1992 issue of Directory.	0.59	0.59
e) Interest on advances for 1992 Directory	979.19	979.19
f) Property tax refund claimed from BMC	8.90	8.90



34. The other information under Para 4B and 4C of part II of schedule VI of the companies Act, 1956 is as under

a) Remuneration paid/payable to the Chairman & Managing Director(s) and Other Directors for the year ended 31st March 2010:-

	For the Year ended 31.03.10 (Rs. in Millions)	For the year ended 31.03.09 (Rs. in Millions)
i) Remuneration	3.93	5.07
ii) Perquisites	1.02	0.87
b) Remuneration to Auditors:		
(i) As Audit Fee (Joint Auditors)	2.69	2.47
(ii) Limited Review	2.15	0.95
(iii) Out of pocket exps.	0.83	0.25
(iv) MVAT Audit	0.15	0.15
c) <u>Value of</u>		
i. Imports on CIF basis	NIL	NIL
ii. Others	NIL	NIL
d) Expenditure in Foreign Currencies	29.31	78.18
e) Earnings in Foreign Exchange	48.30	59.30
f) Gross Income from Services	36561.00	44559.99

35. The balances with non-scheduled banks comprise of:

Sl. Name of the Bank No. and Branch	Balance as on 31st March, 2010 (Rs.)	Maximum balance during the year (Rs.)
A. Patan Cooperative Bank Limited (account closed, considered doubtful)	27,634 (27,634)	27,634 (27,634)
B. Indira Sahakari Bank Limited (considered doubtful)	5,594,189 (5,594,189)	5,594,189 (5,594,189)
C. The Mogaveera Cooperative Bank Limited (account closed, considered doubtful)	35,445 (35,445)	35,445 (35,445)



36. There is no reported Micro, Small and Medium enterprise as defined in the Micro, Small and Medium enterprise development Act, 2006, to whom the company owes dues. No interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.
37. Additional information required under Paragraphs 3(x)(a) and 4D(c) of Part II of Schedule VI to the Companies Act 1956 is not ascertainable, since (i) consumption of stores is included under the normal heads of Capital Expenditure and/or Repairs & Maintenance, and (ii) the issue of imported and indigenous items are not separately priced/ identified.

**38. Employee Benefits -AS-15(R)**

I. During the year, the Company has recognized the following amounts in the Profit and loss Account.

**a) Defined Contribution Plans (Rs. In Millions)**

Particulars	Amounts
Employer Contribution to Provident Fund*	516.16
Leave Encashment Contribution for DOT employees**	11.61
Pension Contribution for DOT employees***	17.78

\* Mentioned as Contribution to CPF

\*\*Mentioned as Leave Encashment-Others

\*\*\*Mentioned as Pension contribution-Others

**b) Defined Benefit Plans (Rs. In Millions)**

Particulars	Gratuity*	Pension**
Current Service Cost	386.10	1100.0
Interest Cost	717.60	2864.5
Expected Return on Plan Assets	(710.10)	-
Actuarial(gain)/loss	876.40	4997.4
Past Service Cost	1036.20	16296.0
Curtailment and Settlement Cost/(Credit)	-	-
<b>Net Cost</b>	<b>2306.2</b>	<b>25257.9</b>
Benefits paid during the year	(648.30)	(1772.1)

\*Mentioned as Gratuity for company employees as well as absorbed employees of DOT.

\*\*Mentioned as Pension Contribution-Company employees.



II. The assumptions used to determine the Defined Benefit Obligations are as follows:

Particulars	2009-10		2008-09	
	Gratuity	Pension	Gratuity	Pension
Discount Rate	8.50%	8.50%	8.50%	8.50%
Salary Escalation Current	3.50%	3.50%	4.00%	4.00%
Expected rate of Return on Plan Assets	8.00%	-	8.00%	-
Future increase in Pension	-	4.0%	-	1.5%*
		*pension plus DA		

The discount rate of 8.50% have taken for calculation of present value of obligation is based on the bench mark rate available on Government Securities for the tenure of payment, future salary rise taken as 3.5% and future increase for pension has been taken as 4.0%

The above results have been finalized as per Actuarial Valuation for retirement benefit (1) for change in benefit of full pension for 20 years completed years of service instead of earlier condition of 33 years of completed service w.e.f. 01.01.2006 vide office order No.MTNL/CO/Pers/6(17)/2009/194 dated 06.01.2010. (2) wage revision w.e.f. 1.1.2007 with the assumption of 8.50% discount factor as on 31.3.2010, 3.50% on salary escalation post wage revision, 4.00% future increase in pension and 0.50% attrition rate as per calculations by Actuary.

III. Reconciliation of opening and closing balances of benefit obligations and plan assets.

**a) Benefit obligations.**

**(Rs. In Millions)**

Particulars	Gratuity	Pension
Projected benefit obligation at beginning of the year	8380.20	33486.6
Interest Cost	717.6	2864.5
Current Service Cost	386.1	1100.0
Past Service Cost	1036.20	16296.0
Benefit Paid	(648.30)	(1772.1)
Actuarial (Gain)/loss on obligations	572.80	4997.4
Projected benefit obligation at end of the year	10444.60	56972.4



<b>b) Plan Assets</b>	<b>(Rs. In Millions)</b>
<u>Particulars</u>	<u>Gratuity</u>
Fair Value of plan assets at beginning of year	6637.80
Expected Return on Plan Assets	710.10
Contributions	2562.40
Benefit Paid	(648.30)
Actuarial gain/(loss) on Plan Assets	(303.6)
<b>Fair Value of Plan Assets at the end of the year</b>	<b>8958.4*</b>
Actual return on plan assets	406.50
Total expenses recognized during the year	(1486.20)
* (excludes Rs.1693.99 millions recoverable from MTNL)	

IV. Category of Investment in Gratuity trust as on 31.03.2010.

	<b>(Rs. In Millions)</b>
<u>Particulars</u>	<u>Gratuity</u>
Government of India Securities	2456.81
Corporate Bonds	2622.11
State Govt. Securities	964.40
Others	2915.08
Total	8958.40*
* (excludes Rs.1693.99 millions recoverable from MTNL)	

V. Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities we have use Mortality:1994-96 LIC Ultimate table for mortality in service and LIC (1996-98) table for mortality in retirement.

VI. Mortality in service is assumed on the basis of LIC (1994-96) Ultimate and mortality in retirement is based on LIC(1996-98) table.

VII. During the year the company has not provided for Bonus on account of loss incurred by the company.

39. During the year, the Company has made an Insurance Policy for medical benefits in respect of its retired employees. The Insurance Policy is fully funded by the Company. This is in compliance with AS-15 (Revised).





40. Information regarding Primary Business Segments: - AS - 17

(Rs. In Million)

S. No.	Particulars	Year Ended 31.3.2010 (Audited)	Year Ended 31.3.2010 (Audited)
1.	Income from Services		
	Basic & Other Services	30035.98	36,922.62
	Cellular	7057.57	8,471.15
	Unallocable		
	<b>Total</b>	<b>37093.55</b>	<b>45,393.77</b>
	Less: Inter Unit Income	532.55	833.78
	<b>Net Income From Services</b>	<b>36561.00</b>	<b>44,559.99</b>
2.	Segment result before interest and tax		
	Basic & Other Services	(33399.54)	(1,578.18)
	Cellular	347.38	1,794.00
	Unallocable	(1124.30)	2,433.63
	<b>Total</b>	<b>(34176.46)</b>	<b>2,649.45</b>
	Less: Interest	12.61	11.53
	Less: Prior period Items	351.50	(2,496.78)
	<b>Profit before tax</b>	<b>(34540.57)</b>	<b>5,134.70</b>
	Less: Provision for Tax	(3551.14)	954.59
	Less: Prior period Tax	(4879.71)	2,062.94
	<b>Profit after tax</b>	<b>(26109.72)</b>	<b>2,117.17</b>
3.	Capital Employed		
	(Segment Assets - Segment Liabilities)		
	Basic & Other Services	42.87	35,826.82
	Cellular	10425.13	7,160.33
	Unallocable	84015.97	80,192.59
	<b>Total</b>	<b>94483.97</b>	<b>1,23,179.74</b>

Note:-

1. The company has disclosed Business Segment as the Primary Segment. Segments have been identified taking into account the nature of the services, the deferring risks and returns, the organizational structure and internal reporting system.
2. The company caters mainly to the needs of the two metro cities viz. Delhi and Mumbai, wherein the risk and return are not different to each other. As such there are no reportable geographical segments.
3. Segment Revenue, Segment Result, Segment Asset and Segment Liabilities include the respective amount identifiable to each of the segments. The expenses, which are not directly relatable to the business segment, are shown as unallocable corporate assets and liabilities respectively.



#### 41. Related Parties Disclosure under AS-18

##### a) List of Related Parties and Relationships

Party	Relation
Department of Telecommunications	Holding 56.25% shares of the Company
Millennium Telecom Limited	Wholly owned Subsidiary
Mahanagar Telecom Mauritius Ltd.	Wholly owned Subsidiary
United Telecom Limited	Joint Venture
MTNL STPI IT Services Ltd.	Joint Venture

##### b) Key Management Personnel

Mr. Kuldip Singh	Director (Tech.) & CMD
Mrs. Anita Soni	Director (Finance)
Mr. S.P. Pachauri	Director (HR)
Mr. A K Pathak (Part of the year)	Executive Director (Technical), CO
Mr. Manjit Singh (Part of the year)	Executive Director, Delhi
Mr. S M Talwar (Part of the year)	Executive Director, Delhi
Mr. J Gopal (Part of the year)	Executive Director , Mumbai

(Rs. In Million)

##### b) Related Party Transactions (Except DOT)

Transactions	Subsidiary	Joint Venture Personnel	Key Management
Guarantees	-	-	-
Unsecured Loan	-	NIL	NIL
Remuneration Paid	-	-	4.91
Loans & Advances	0.11	-	-
Others	7.66	87.19	-

#### 42. Earning Per Share – AS – 20

1) Profit after Tax	Rs. (26109.72) Millions
2) Number of Shares	630 Millions
3) Nominal value of shares	Rs. 10/-
4) Basic/ diluted EPS	Rs. (41.44)

#### 43. Consolidated Financial Statements - AS - 21 & AS - 27

The financial statements of Millennium Telecom Limited & Mahanagar Telephone Mauritius Limited (wholly owned subsidiaries of the Company) and United Telecom Limited & MTNL STPI IT Service Limited (Joint Ventures) have been consolidated in accordance with the Accounting Standard - 21 and Accounting Standard - 27, respectively in a separate consolidated financial statement.



MTNL holds 26.68% of Equity Shares in UTL and 50% in MTNL STPI, IT Services Limited and consolidated in the accounts are as under:-

(Rs. In Million)

Name of JV	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	148.92	148.48	0.44	292.35	292.35
MTNL STPI, IT Service Ltd.	9.82	10.34	(-)0.52	231.10	231.10

44. During the year no provision has been made for any loss on account of impairment of assets under Accounting Standard 28 as there is no indication of any impairment of assets of the Company.

45. Balance Sheet Abstract and Company's General Business Profile - PART IV

(i) **Registration Details**

Registration No.  State Code   
 Balance Sheet Date  Date  Month  Year

(ii) **Capital raised during the year (Rs. in Million)**

Public Issue(GDR)  Rights Issue   
 Bonds Issue

(iii) **Position of Mobilisation and Deployment of Funds (Rs. in Million)**

<b>Total Liabilities</b>	<input type="text" value="118014"/>	<b>Total Assets</b>	<input type="text" value="118014"/>
<b>Sources of Funds:</b>			
Paid up Capital	<input type="text" value="6300"/>	Reserves & Surplus	<input type="text" value="111714"/>
Secured Loans	<input type="text" value="NIL"/>	Unsecured Loans	<input type="text" value="NIL"/>
Deferred Tax Liability	<input type="text" value="NIL"/>		
<b>Application of Funds:</b>			
Net fixed assets + Capital WIP	<input type="text" value="177329"/>	Investment	<input type="text" value="5095"/>
Net Current Assets	<input type="text" value="-87941"/>	Misc. Expenditure	<input type="text" value="NIL"/>
Accumulated Losses	<input type="text" value="-23530"/>		



iv) **Performance of Company (Rs. in Million)**

Turnover	50578	Total Expenditure.	84767
Profit before Tax	-34189	Profit After Tax	-26110
Earning per share in Rs.	-41.44	Dividend Rate	

v) **Generic names of three Principal Product/services of Company (as per monetary terms)**

Item Code No. (ITC Code)	NOT AVAILABLE
Product Description	TELEPHONE SERVICE
Item Code No. (ITC Code)	NOT AVAILABLE
Product Description	BROAD BAND
Item Code No. (ITC Code)	NOT AVAILABLE
Product Description	GSM


46. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.

47. Schedules "A" to "T" form an integral part of the Balance Sheet and the Profit and Loss Account.

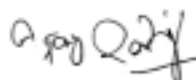
**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

  
**(S.R. Sayal)**  
Company Secretary

  
**(R. Srinivasan)**  
Dy. General Manager (Accounts)

  
**(Ravinder Khullar)**  
(Partner)  
M.No: 082928

  
**(Ajay Rastogi)**  
(Partner)  
M.No.: 084897

  
**(Anita Soni)**  
Director (Finance)

  
**(Kuldip Singh)**  
Chairman & Managing Director

**PLACE : New Delhi**  
**DATED : 12.08.2010**



Annexure-I

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Cash Flow Statement for the year ended 31st March 2010**  
[Pursuant to Clause 32 of Listing Agreement(s) as (amended)]

	As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>A. Cash Flow from Operating Activities</b>		
Net profit before Tax and extra ordinary items	-34189.06	2637.92
<u>Adjustment for:</u>		
Prior period adjustment (net)	4576.33	449.41
Profit on sale of fixed assets	-21.78	-19.93
Loss on sale of fixed assets	14.11	686.65
Depreciation	17594.94	6988.47
Compensation charged under VRS Scheme	967.73	625.11
Compensation paid under VRS Scheme	-0.83	-0.31
Interest Cost	8.72	11.53
Interest Income	-12755.43	-6662.99
Interest paid	-9.59	-8.19
<b>Operating cash profit before working capital changes</b>	<b>-23814.88</b>	<b>4707.67</b>
<u>Adjustment for:</u>		
Trade and other receivables	-15484.27	2900.91
Inventories	327.57	-305.64
Trade and other payables	149036.51	8403.46
<b>Cash generated from operations</b>	<b>110064.93</b>	<b>15706.42</b>
Direct Taxes paid / Adjusted	1296.73	-81.95
<b>Net Cash Flow from Operating Activities</b>	<b>111361.66</b>	<b>15624.47</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets (including capital W.I.P.)	-122676.11	-8127.29
Sale of Fixed Assets	54.50	961.22
Interest received	13167.38	5690.05
Investment	-444.45	923.01
<b>Net Cash Flow from Investing Activities</b>	<b>-109898.68</b>	<b>-553.02</b>



### C. Cash Flow from Financing Activities

Repayment of Loans	0.00	0.00
Dividend paid (including tax)	-737.07	-737.07
<b>Net Cash Flow from Financing Activities</b>	<b>-737.07</b>	<b>-737.07</b>

### D. Net Increase/Decrease in Cash and Cash Equivalents


	725.92	14334.38
Cash and Cash equivalent as at the beginning of the year	48027.98	33693.60
<b>Cash and cash equivalent as at the end of the year</b>	<b>48753.90</b>	<b>48027.98</b>
<b>Cash and cash equivalent as at the end of year represented by</b>		
Cash in hand	31.81	54.33
Balance with bank in current account (net of provisions)	968.32	1244.66
Balance with bank in Fixed Deposit account	47753.77	46728.99
<b>TOTAL</b>	<b>48753.90</b>	<b>48027.98</b>


Note:-

1. Previous year figures have been regrouped wherever necessary

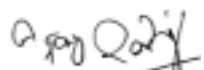
**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

  
**(S.R. Sayal)**  
Co. Secy.

  
**(R. Srinivasan)**  
DGM (Accounts)

  
**(Ravinder Khullar)**  
(Partner)  
M.No: 082928

  
**(Ajay Rastogi)**  
(Partner)  
M.No.: 084897

  
**(Anita Soni)**  
Director (Finance)

  
**(Kuldeep Singh)**  
Chairman & Managing Director

Place : New Delhi  
Date : 12th August, 2010



## Consolidated Balance Sheet of Mahanagar Telephone Nigam Limited As at 31st March, 2010

		As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	6,300.00	6,300.00
Reserves & Surplus	2	111,471.31	114,061.22
<b>Loan Funds</b>			
Secured Loans	3	85.30	136.89
Deferred Tax Liability (Net)	4	-	3,528.75
<b>Total</b>		<b>117,856.62</b>	<b>124,026.86</b>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block	5	283,959.93	164,045.60
Less : Depreciation & Amortisation		117,642.86	100,417.91
<b>Net Block</b>		<b>166,317.07</b>	<b>63,627.70</b>
<b>Capital Work-in-Progress</b>	6	<b>11,866.34</b>	<b>9,504.78</b>
<b>Investments</b>	7	<b>3,849.60</b>	<b>3,500.00</b>
<b>Deferred Tax Asset (Net)</b>		<b>23.53</b>	<b>-</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	8	1,596.76	1,920.42
Sundry Debtors	9	7,494.67	8,101.90
Cash & Bank Balances	10	48,910.26	48,174.47
Other Current Assets	11	3,118.71	3,431.22
Loans & Advances	12	105,056.37	95,412.69
		<b>166,176.77</b>	<b>157,040.71</b>
<b>Less : Current Liabilities and Provisions</b>			
Current Liabilities	13	171,223.94	48,713.41
Provisions	14	82,699.15	61,935.14
<b>Net Current Assets</b>		<b>(87,746.32)</b>	<b>46,392.16</b>
<b>Miscellaneous Expenditure</b> (to the extent not written off)		<b>16.25</b>	<b>1,002.22</b>
<b>Profit and Loss Account Debit Balance</b>		<b>23,530.15</b>	<b>-</b>
<b>Total</b>		<b>117,856.62</b>	<b>124,026.86</b>

The Schedules referred to above form an integral part of the Balance Sheet.  
In terms of our report of even date

**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

  
**(Ravinder Khullar)**  
(Partner)  
M.No: 082928

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

  
**(Ajay Rastogi)**  
(Partner)  
M.No.: 084897

  
**(S.R. Sayal)**  
Co. Secy.  
  
**(Anita Soni)**  
Director (Finance)

  
**(R. Srinivasan)**  
DGM (Accounts)  
  
**(Kuldip Singh)**  
Chairman & Managing Director

Place : New Delhi  
Date : 12th August, 2010



## Consolidated Profit and Loss of Mahanagar Telephone Nigam Limited For the year ended 31st March, 2010

		As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>INCOME</b>			
Income from Services	15	37,108.63	44,962.22
Other Income	16	14,023.31	7,933.18
		<b>51,131.94</b>	<b>52,895.39</b>
<b>EXPENDITURE</b>			
Employees' Remuneration other than Retirement Benefits	17	19,704.21	14,416.16
Employees' Remuneration for retirement Benefits-Provisions (Includes actual payouts for MTNL Rs.2610.53 million (Previous Year Rs.1825.39 million))	17	29,981.08	6,880.28
Revenue Sharing		5,397.82	7,587.97
Licence Fee		3,868.89	4,321.31
Administrative, Operating & Other Expenses	18	8,607.50	9,987.88
Depreciation & Amortisation	5	17,719.78	7,098.17
Interest	19	30.70	32.06
		<b>85,309.98</b>	<b>50,323.83</b>
<b>Profit/(Loss) Before Tax</b>		<b>(34,178.04)</b>	<b>2,571.56</b>
Provision for Tax		6.85	2,256.50
Provision for Deferred tax		(3,552.67)	(1,311.08)
<b>Profit/(Loss) After Tax</b>		<b>(30,632.22)</b>	<b>1,626.15</b>
Prior period adjustments	20	351.51	(2,496.54)
Taxes for earlier period written back/paid		(4,879.71)	2,062.94
<b>Profit/(Loss) For the Year</b>		<b>(26,104.02)</b>	<b>2,059.75</b>
Transfer from Contingency Reserve		2,579.58	-
<b>Profit/(Loss) available for Appropriation</b>		<b>(23,524.43)</b>	<b>2,059.75</b>
<b>Appropriation :</b>			
Interim/Final dividend		-	630.00
Tax on Dividend		-	107.07
Transfer To Contingency Reserve		-	-
Reserve for R&D		-	-
General Reserve		5.72	1,322.68
<b>Profit and loss account debit balance</b>		<b>(23,530.15)</b>	<b>-</b>
		<b>(23,524.43)</b>	<b>2,059.75</b>
<b>Earnings Per Share</b>			
Basic/Diluted earnings per share (in Rs.)		(41.43)	3.27

(Refer note 42)

Accounting Policies & Notes to Accounts

The Schedules referred to above form an integral part of the Profit & Loss Account.

In terms of our report of even date

**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

**(Ravinder Khullar)**  
(Partner)  
M.No: 082928

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

**(Ajay Rastogi)**  
(Partner)  
M.No.: 084897

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**(S.R.Sayal)**  
Co. Secy.

**(Anita Soni)**  
Director (Finance)

**(R.Srinivasan)**  
DGM (Accounts)

**(Kuldip Singh)**  
Chairman & Managing Director

**Place : New Delhi**  
**Date : 12th August, 2010**





**SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2010**  
**SCHEDULE - 1**

**Share Capital**

	As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>AUTHORISED CAPITAL</b>		
80,00,00,000 Equity Shares of Rs.10/- each	<b>8,000.00</b>	8,000.00
<b>ISSUED SUBSCRIBED AND PAID UP CAPITAL</b>		
63,00,00,000 Fully paid Equity Shares of Rs. 10/- each	<b>6,300.00</b>	6,300.00
Out of the above shares		
(i) 59,99,98,400 Equity Shares are allotted as fully paid up pursuant to a contract without payment being received in cash out of which 35,43,72,740 Shares are held by the Government of India		
(ii) 3,00,00,000 Equity Shares are allotted as fully paid up represented by Global Depository Receipts (GDRs) through an International Offering in US Dollars. One GDR represented two equity shares. In Nov, 2001 the GDRs were exchanged in American Depository Shares (ADSs) on a one -for-one basis. One ADS also represents two of our equity shares.		
	<b>6,300.00</b>	6,300.00

**SCHEDULE - 2**

**Reserves & Surplus**

	As at 1.4.2009 (Rs in Million)	Addition during the year (Rs in Million)	Addition during the year (Rs in Million)	As at 31.3.2010 (Rs in Million)
Bonds Redemption Reserve	–		–	–
Bonds Redemption Reserve(Prev. Year)	(0)		(0)	–
Share Premium	6,650.05			6,650.05
Share Premium(Prev. Year)	(6,650.05)	(0)	(0)	(6,650.05)
General Reserve	97,997.33	(10.33)	–	97,987.00
General Reserve(Prev. Year)	(91,499.72)	(6,497.61)	–	(97,997.33)
Reserve For Contingencies	9,105.84	–	2,579.58	6,526.26
Reserve For Contingencies(Prev. Year)	(14,240.84)	–	(5,135.00)	(9,105.84)
Reserve For Research & Development	308.00	–	–	308.00
Reserve For Research & Development(Prev. Year)	(308.00)	–	(0)	(308.00)
<b>TOTAL</b>	<b>114,061.22</b>	<b>(10.33)</b>	<b>2,579.58</b>	<b>111,471.31</b>
	(112,698.61)	(6,497.61)	(5,135.00)	(114,061.22)



### **SCHEDULE - 3**

#### **Secured Loans**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Term Loan	<b>85.30</b>	136.89
	<b>85.30</b>	<b>136.89</b>

### **SCHEDULE - 4**

#### **Deferred Tax Liability (Net)**

	<b>Deferred Tax Liability (Asset) As at 1.04.2009 (Rs. in Million)</b>	<b>Current Year Charge/(Credit) (Rs. in Million)</b>	<b>Deferred Tax Liability (Asset) As at 1.04.2010 (Rs. in Million)</b>
<b>Deferred Tax Liabilities</b>			
<b>Difference between Book, Tax Depreciation &amp; others</b>	<b>12,938.94</b>	<b>(119.36)</b>	<b>12,819.58</b>
Difference between Book, Tax Depreciation & others (Prev. Year)	(13,151.76)	(-212.82)	(12,938.94)
<b>Total - A</b>	<b>12,938.94</b>	<b>(119.36)</b>	<b>12,819.58</b>
(Previous Year)	(13,151.76)	(-212.82)	(12,938.94)
<b>Deferred Tax Assets</b>			
<b>Provision for Doubtful Debts, Advances and Bank Balances</b>	<b>-4165.84</b>	<b>-182.56</b>	<b>-4348.40</b>
Provision for Doubtful Debts, Advances and Bank Balances (Prev. Year)	(-3913.29)	(-252.55)	(-4165.84)
<b>Provision for Obsolete Stock</b>	<b>-281.54</b>	<b>-13.57</b>	<b>(295.11)</b>
Provision for Obsolete Stock (Prev. Year)	(-275.16)	(-6.38)	(-281.54)
3G and BWA Licence fees(Refer Note no.19)	<b>0.00</b>	<b>-3379.45</b>	<b>(3,379.45)</b>
3G and BWA Licence fees(Prev. Year)	0.00	0.00	0.00
<b>Others</b>	<b>-4962.81</b>	<b>142.66</b>	<b>-4820.15</b>
Others (Prev. Year)	(-4113.35)	(-850.62)	(-4962.81)
<b>Total - B</b>	<b>-9410.19</b>	<b>(3,432.92)</b>	<b>-12843.11</b>
(Previous Year)	(-8301.80)	(-1109.55)	(-9410.19)
<b>Deferred Tax Liability (A – B)</b>	<b>3,528.75</b>	<b>(3,552.28)</b>	<b>(23.53)</b>
(Previous Year)	(4,849.96)	(-1322.37)	(3,528.75)

## SCHEDULE - 5 : FIXED ASSETS

DESCRIPTION	AS AT 1.4.2009	GROSS BLOCK (RS IN MILLION)				DEPRECIATION (RS. IN MILLION)				NET BLOCK (RS IN MILLION)	
		ADDITIONS DURING THE YEAR	ADJUSTMENTS DURING THE YEAR	SALES DURING THE YEAR	AS AT 31.3.2010	AS AT 1.4.2009	FOR THE YEAR	SALES/ ADJUSTMENTS DURING THE YEAR	AS AT 31.3.2010	AS AT 31.3.2010	AS AT 31.3.2009
<b>INTANGIBLE ASSETS:-</b>											
- APPLICATION SOFTWARE	430.05	134.77	-	-	564.83	121.13	54.58	-	175.71	389.12	308.93
- 3G & BWA LICENCE FEES	-	110,979.70	-	-	110,979.70	-	10,173.70	(213.20)	10,386.90	100,592.80	-
<b>LAND:</b>											
FREEHOLD	190.48	1.53	-	-	192.01	-	-	-	-	192.01	190.48
LEASEHOLD	2,782.93	34.23	-	-	2,817.16	333.93	29.90	-	363.83	2,453.33	2,449.00
BUILDING	12,088.63	558.92	4.33	-	12,643.22	3,258.52	439.19	2.21	3,695.50	8,947.72	8,830.11
LEASED PREMISES	52.92	-	-	-	52.92	8.25	0.99	-	9.25	43.67	44.67
LINE & WIRES	917.80	60.68	-	-	978.47	610.04	26.55	(0.07)	636.65	341.83	307.76
CABLE	69,872.71	1,421.83	62.78	4.64	71,227.12	47,776.15	2,046.70	90.04	49,732.82	21,494.31	22,096.56
APPARATUS & PLANT	71,086.09	7,260.47	597.15	115.92	77,633.50	44,603.40	4,572.47	616.40	48,559.47	29,074.03	26,482.69
VEHICLES	319.97	1.19	(0.97)	4.34	317.80	253.23	17.69	1.32	269.60	48.20	66.74
FURNITURE & FIXTURES	1,421.49	46.34	(2.51)	0.01	1,470.32	935.23	66.88	(1.61)	1,003.73	466.60	486.26
OFFICE MACHINERY & EQUIPMENTS	372.31	8.72	(2.92)	1.21	382.73	211.29	15.92	0.86	226.35	156.38	162.22
0.00				-	-				-	-	-
ELECTRICAL APPLIANCES	1,387.77	72.15	0.68	-	1,459.23	634.49	65.71	0.41	699.79	759.45	753.28
COMPUTERS	2,875.71	150.00	38.68	0.09	2,986.94	1,673.26	247.24	37.21	1,883.28	1,103.66	1,202.45
ASSETS SCRAPPED/ DECOMMISSIONED	244.69	46.71	37.43	-	253.96	-	-	-	-	253.96	244.69
<b>TOTAL</b>	<b>164,045.61</b>	<b>120,777.24</b>	<b>734.65</b>	<b>126.21</b>	<b>283,959.93</b>	<b>100,418.90</b>	<b>17,757.53</b>	<b>533.57</b>	<b>117,642.86</b>	<b>166,317.07</b>	<b>63,627.70</b>
Previous Year	159,386.78	8,917.60	2,396.38	1,862.40	164,045.61	95,451.92	7,103.43	2,125.54	100,417.91	63,627.70	-

### Notes

- Additions during the year include adjustments on account of value difference, spill over cost, etc identified during the year in respect of existing fixed assets
- Depreciation charged during the year includes:

Rs.in.Million

- Depreciation for the year
- Depreciation /adjustment relating to prior period
- Depreciation written back

17,719.78

48.12

-

17,757.53





## **SCHEDULE - 6**

### **Capital Work-In- Progress**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Buildings	791.01	390.54
Apparatus & Plants	8,822.43	6,871.97
Lines & Wires	34.75	23.85
Cables	1,724.64	1,880.76
Subscribers' Installations	218.20	131.08
Air Conditioning Plants	295.97	222.96
Less:- Provision For Abandoned Works	(20.62)	(16.38)
	<b>11,866.34</b>	<b>9,504.78</b>

## **SCHEDULE - 7**

### **Investments**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Long Term-Non Trade (At Cost)</b>		
Investment in 10000000 8.75% Un Quoted Preference Share of Rs. 100/- each fully paid up with M/s. ITI Ltd.(Refer Note No.12)	1,000.00	1,000.00
<b>Others</b>		
Investment in LICMF Income Plus Fund-Daily Dividend Plan (34960174.079 units @ Rs.10 each, NAV as on 31.03.2010 is Rs.10 per unit)	349.60	-
Investment in Un Quoted 11.5% Bonds fully paid up of Maharashtra Krishna Valley Development Corporation Ltd. (Redemption in the Year 2012)	2,500.00	2,500.00
	<b>3,849.60</b>	<b>3,500.00</b>



## **SCHEDULE - 8**

### **Inventories (At Cost)**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Stores and Spares:</b>		
Building Material	0.46	0.46
Lines & Wires	30.40	47.61
Cables	849.25	1,083.27
Exchange Equipments	535.54	617.89
WLL Equipments	12.90	12.93
Telephone & Telex instruments	267.16	273.34
WLL Instruments	170.96	181.85
Telephones & Telex Spares	1.31	2.80
Installation Test Equipments	0.21	0.32
Store - in -Transit (Including Others)	0.38	-
Mobile Handsets & Sim Cards	29.15	13.69
	<b>1,897.71</b>	<b>2,234.16</b>
Less: Provision for obsolete stores	300.95	313.74
	<b>1,596.76</b>	<b>1,920.42</b>

## **SCHEDULE - 9**

### **Sundry Debtors (Unsecured)\***

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Outstanding for a Period Exceeding Six Months		
Considered Good	<b>3,540.36</b>	3,492.47
Considered Doubtful	<b>5,703.31</b>	5,056.13
Other Debts		
Considered Good	<b>1,120.15</b>	1,424.06
Income Accrued from services	<b>2,415.50</b>	2,927.50
	<b>12,779.31</b>	<b>12,900.16</b>
Less: Provision for doubtful debts	<b>5,268.66</b>	4,785.29
Less: Provision for wrong billing	<b>15.98</b>	12.97
	<b>7,494.67</b>	<b>8,101.90</b>

For the current year, debtors exceeding Six months, considered good & doubtful includes service tax of Rs.549.92 Millions (Rs.494.15 Millions) & Rs.854.49 Millions (Rs.739.48 Millions) respectively. Other debtors considered good include service tax of Rs.200.67 Millions (Rs.246.30 Millions).



## **SCHEDULE - 10**

### **Cash & Bank Balances**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Cash in hand, Including cheques in hand Rs.39.58 Millions (Rs.23.98 Millions)	<b>31.98</b>	54.49
Balance with scheduled Banks In Current Accounts In Fixed Deposit Accounts	<b>1,019.20</b> <b>47,863.93</b>	1,301.22 46,820.63
Balance with Non-Scheduled Banks In Current Account (Refer Note -35)	<b>5.66</b> <b>48,920.77</b>	5.66 48,180.19
Less: Provision for Doubtful Bank Balances	<b>10.51</b> <b>48,910.26</b>	5.72 <b>48,174.47</b>

## **SCHEDULE - 11**

### **Other Current Assets Unsecured Considered Good**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Interest Accrued on Deposits with Banks,	<b>1,899.71</b>	2,309.31
Interest Accrued on Bonds	<b>192.19</b>	192.19
Income Accrued From other Deposits & Loans & Advances	<b>1,026.82</b>	929.72
	<b>3,118.71</b>	<b>3,431.22</b>



## **SCHEDULE - 12**

### **Loan & Advances**

#### **Unsecured Considered Good\***

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Loans &amp; Advances</b>		
<u>Secured Loans</u>		
i) Housing Loan to Employees	<b>1,309.39</b>	1,561.24
ii) Vehicles Loan to Employees	<b>59.78</b>	51.72
iii) Others Loan to Employees	<b>160.52</b>	148.06
<u>Un Secured Loans</u>		
(Considered good, unless otherwise stated)*		
To Other Corporates	<b>506.42</b>	826.26
Amount Recoverable from DOT	<b>32,330.54</b>	31,543.80
Amount Recoverable from BSNL	<b>20,318.25</b>	16,785.67
Advances Recoverable in Cash or in Kind or for value to be received.	<b>19,958.14</b>	7,383.62
Advance to JV Co (MTNLSTPI IT Services Ltd)	<b>0.01</b>	0.53
Taxes Paid/Deducted at Source	<b>27,824.26</b>	34,193.29
Deposits with Govt. Deptt.	<b>450.30</b>	446.19
Capital Advance	<b>144.97</b>	152.14
Amount Recoverable from GPF Trust	<b>270.30</b>	836.37
Others	<b>2,209.24</b>	2,002.24
	<b>105,542.11</b>	<b>95,931.13</b>
Less: Provision for Doubtful Advances	<b>485.72</b>	518.44
	<b>105,056.37</b>	<b>95,412.69</b>

\* Except to the extent of doubtful advances recoverable in cash or in kind or for value to be received for which provision has been made.



### **SCHEDULE - 13**

#### **Current Liabilities**

	As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>Sundry Creditors</b>		
(i) For Goods and Services	6,339.68	6,855.66
(ii) For Work done	4,443.41	3,470.54
(iii) For Others	5,175.59	1,789.52
Advances Received from Customers & Others	1,398.70	415.95
<b>Deposits from :</b>		
(i) Contractors	307.10	345.10
(ii) Customers & Others	8,598.82	9,308.41
Unclaimed Bonds	0.06	0.06
<b>Other Liabilities</b>		
(i) For Salaries and Other Benefits	5,118.51	618.44
(ii) Bonus/ Ex-Gratia	-	442.90
(iii) GPF of MTNL optee	11,813.33	10,877.90
(iv) Others	10,167.69	10,324.21
Income Received in advance against services	555.25	554.83
<b>Amount Payable:</b>		
(i) To DOT	112,265.01	658.69
(ii) To BSNL	4,517.21	2,498.54
(iii) To VSNL	50.20	27.48
(iv) To Subsidiary Companies	2.42	6.37
(v) To Others	470.03	516.99
Interest Accrued but not due :		
On Deposits	0.93	1.81
	<b>171,223.94</b>	<b>48,713.41</b>

### **SCHEDULE - 14**

#### **Provisions**

	As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>Pension</b>		
(i) Company Employees	56,972.43	33,486.60
(ii) Others	121.71	127.12
<b>Leave Encashment</b>		
(i) Company Employees	5,573.00	4,306.23
(ii) Others	9.64	6.51
Gratuity	4,303.12	2,609.66
Proposed Final Dividend	-	630.00
Tax on Dividend	-	107.07
Income Tax	15,403.16	20,369.59
Fringe Benefit tax	257.45	257.57
Wealth Tax	14.04	12.22
Others	44.59	22.57
	<b>82,699.15</b>	<b>61,935.14</b>





**SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2010**

**SCHEDULE - 15**

**Income from Services**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<u>Telephone</u>		
(a) Rentals	<b>9,462.43</b>	10,382.79
(b) Calls & Other Charges	<b>7,887.19</b>	9,977.94
(c) Franchises Services	<b>1,319.55</b>	2,290.97
(d) Rent & Junction Charges		
(i) Mobile Operators	<b>1,289.28</b>	3,211.08
(ii) Basic Service Operators	-	-
(iii) Dolphin	-	-
(e) Access Calls & Other Charges		
(i) Mobile Operators	-	-
(ii) Basic Service Operators	<b>2,113.23</b>	3,304.03
(iii) Dolphin	-	-
VCC	<b>121.32</b>	204.10
Internet	<b>161.59</b>	210.57
Circuits	<b>525.01</b>	634.16
WLL Rent	<b>240.68</b>	411.99
WLL Call Charges	<b>234.61</b>	247.38
<u>Mobile</u>		
(a) Rentals, calls & IUC revenue	<b>2,100.67</b>	2,552.03
(b) Income from Roaming	<b>1,500.71</b>	1,492.05
(c) Pre paid Trump	<b>3,394.66</b>	4,137.22
(d) Activation Charges	<b>6.89</b>	12.07
Broadband	<b>5,219.17</b>	4,474.65
<u>Value added and Other Services</u>		
(a) Indonet	<b>(0.00)</b>	0.26
(b) Voice Mail	<b>249.60</b>	176.25
(c) Free Phone	<b>180.52</b>	169.07
(d) Premium Rate	<b>0.52</b>	0.72
(e) ISDN - Rental	<b>422.96</b>	403.48
(f) ISDN - Call Charges	<b>467.53</b>	539.73
(g) VOIP Services	<b>12.94</b>	10.85
Others	<b>188.49</b>	118.81
3G service income	<b>9.07</b>	-
	<b>37,108.63</b>	<b>44,962.22</b>



## **SCHEDULE - 16**

### **Other Income**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Interest</b>		
(i) From Banks (Tax deducted at source Rs.630.66 Millions (Rs.1123.17 Millions)	<b>3,988.27</b>	4,755.65
(ii) Interest on Advances to Employees	<b>160.58</b>	128.64
(iii) Interest on Deposits, Advances and Others	<b>295.93</b>	360.93
(iv) Interest from Income Tax Department	<b>8,316.90</b>	1,425.70
Dividend from Mutual Fund	<b>12.77</b>	79.45
Sale of Directories, Publications, Forms etc.	<b>16.58</b>	10.27
Profit on Sale of Assets	<b>21.78</b>	19.93
Liquidated Damages	<b>243.02</b>	333.78
Foreign Currency Fluctuation Gain(Loss)	<b>29.21</b>	(73.39)
Bad Debts Recovered	<b>63.30</b>	29.09
Credit Balances Written Back	<b>567.62</b>	510.17
Rent on Quarters, Inspection Quarters, Hostels and other services provided	<b>20.75</b>	66.87
Others	<b>286.60</b>	286.09
	<b>14,023.31</b>	<b>7,933.18</b>

## **SCHEDULE - 17**

### **Employees' Remuneration and Benefits**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Salaries, Wages, Allowances and other Benefits	<b>22,809.72</b>	15,375.28
Bonus/ Ex-Gratia	<b>4.94</b>	526.44
Medical Expenses/Allowances	<b>1,048.69</b>	1,014.48
<b>Leave Encashment</b>		
(i) Company Employees	<b>1,555.45</b>	1,243.80
(ii) Others	<b>11.61</b>	6.57
<b>Pension Contribution</b>		
(i) Company Employees	<b>25,693.68</b>	3,413.18
(ii) Others	<b>17.78</b>	16.76
Contribution to Provident Fund	<b>516.16</b>	331.69
Gratuity	<b>2,731.95</b>	2,223.30
Compensation under VRS Scheme	<b>967.73</b>	625.11
Staff Welfare Expenses	<b>40.22</b>	47.46
	<b>55,397.94</b>	24,824.00
<b>Less :</b>		
Allocation to Capital Work-In-Progress	<b>5,712.65</b>	3,527.56
	<b>49,685.29</b>	<b>21,296.44</b>



## **SCHEDULE - 18**

### **Administrative, Operating and Other Expenses**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
Power & Fuel	2,218.78	1,851.05
Rent	678.47	655.51
Repairs & Maintenance:		
- Buildings	173.60	152.91
- Plant & Machinery	1,025.64	1,000.16
- Others	388.97	440.89
Insurance	51.59	36.61
Rates & Taxes	435.63	314.27
Travelling Expenses	27.59	38.19
Postage & Courier	127.04	142.48
Printing & Stationery	112.47	143.10
Vehicle Expenses:		
- Maintenance	12.06	15.95
- Running	32.14	36.01
- Hiring	97.73	98.10
Commission paid on Franchised Services	818.46	1,325.16
Comm. Paid to pre paid services	2.35	3.40
Advertising/Business Promotion Expenses	441.65	431.15
Provision for Doubtful Debts including	-	11.19
Disputed Bills	566.47	741.76
Provision for Wrong Billing	1.38	1.26
Bad Debts Written Off	183.67	52.31
Provision for Obsolete Stores	40.86	18.78
Professional & Consultancy Charges	68.17	94.12
Seminar and Training Expenses	17.62	15.59
Miscellaneous Expenses	805.38	813.69
Loss on Sale of Assets	14.11	686.65
Internet charges	341.91	314.45
PSTN Charges	19.51	14.41
Spectrum Charges(WLL)	6.98	10.28
Spectrum Charges(MS)	261.72	306.80
Loss of Assets	1.65	535.60
	<b>8,973.60</b>	<b>10,297.42</b>
<b>Less : Allocation Capital WIP</b>	<b>366.11</b>	<b>309.54</b>
	<b>8,607.50</b>	<b>9,992.24</b>



## **SCHEDULE - 19**

### **Interest :**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b>Interest on :</b>		
Customers' deposits	6.59	10.82
GPF	0.07	-
Other Loans	24.04	21.24
	<b>30.70</b>	<b>32.06</b>

## **SCHEDULE - 20**

### **Prior Period Adjustments**

	<b>As at 31.3.2010 (Rs.in Million)</b>	<b>As at 31.3.2009 (Rs.in Million)</b>
<b><u>Expenses</u></b>		
Salary,Wages,Allowances & Staff Expenses	40.23	-
Rates & Taxes	9.19	-
Repairs to Plant & Machinery	-	31.47
Depreciation	48.12	15.57
Others (Current year income tax nil)		
Previous Year includes includes Tax Rs.57.87 Millions)	257.38	60.05
	<b>354.92</b>	<b>107.49</b>
<b><u>Income</u></b>		
Income From Telephone	0.24	2.96
Interest on Income Tax Refund	-	2,536.44
Others	3.17	62.73
Rates & Taxes written back	-	1.17
	<b>3.41</b>	<b>2,603.30</b>
<b>Net Adjustment</b>	<b>351.51</b>	<b>(2,495.81)</b>

### **Note:**

1. Consolidated Figures includes Provisional figures of United Telecom Ltd as their financial year ends on 16th July.



Annexure-I

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Consolidated Cash Flow Statement for the year ended 31st March 2010**  
[Pursuant to Clause 32 of Listing Agreement(s) as (amended)]

	As at 31.3.2010 (Rs.in Million)	As at 31.3.2009 (Rs.in Million)
<b>A. Cash Flow from Operating Activities</b>		
Net profit before Tax and extra ordinary items	(34,178.02)	2,571.56
<u>Adjustment for:</u>		
Prior period adjustment (net)	4,576.33	449.41
Profit on sale of fixed assets	(21.78)	(19.93)
Loss on sale of fixed assets	14.11	686.65
Depreciation	17,719.78	7,098.17
Compensation charged under VRS Scheme	967.73	625.11
Compensation paid under VRS Scheme	(0.83)	(0.31)
Interest Cost	8.72	11.53
Interest Income	(12,761.68)	(6,662.99)
Interest paid	(9.59)	(8.19)
Amortisation and other non cash items	-	13.22
<b>Operating cash profit before working capital changes</b>	<b>(23,685.25)</b>	<b>4,764.24</b>
<u>Adjustment for:</u>		
Trade and other receivables	(15,395.24)	2,771.47
Inventories	323.67	(320.12)
Trade and other payables	148,988.16	8,436.50
<b>Cash generated from operations</b>	<b>110,231.34</b>	<b>15,652.10</b>
Direct Taxes paid / Adjusted	1,291.40	(70.91)
<b>Net Cash Flow from Operating Activities</b>	<b>111,522.75</b>	<b>15,581.19</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of fixed assets (including capital W.I.P.)	(122,865.66)	(8,233.04)
Sale of Fixed Assets	54.50	961.22
Interest received	13,173.63	5,690.05
Investment	(444.45)	923.01
<b>Net Cash Flow from Investing Activities</b>	<b>(110,081.98)</b>	<b>(658.76)</b>



### C. Cash Flow from Financing Activities

Repayment of Loans	(51.59)	30.72
Dividend paid (including tax)	(737.07)	(737.07)
Loan/Share Capital	81.86	136.87
<b>Net Cash Flow from Financing Activities</b>	<b>(706.80)</b>	<b>(569.48)</b>

### D. Net Increase/Decrease in Cash and Cash Equivalents

	<b>733.97</b>	<b>14,352.95</b>
Cash and Cash equivalent as at the beginning of the year	<b>48,176.27</b>	33,823.34
Cash and cash equivalent as at the end of the year	<b>48,910.26</b>	<b>48,174.47</b>
Cash and cash equivalent as at the end of year represented by		
Cash in hand	<b>31.98</b>	54.49
Balance with bank in current account(net of provisions)	<b>1014.35</b>	1299.35
Balance with bank in Fixed Deposit account	<b>47863.93</b>	46820.63
<b>TOTAL</b>	<b>48910.26</b>	<b>48174.47</b>

Note:-

1. Previous year figures have been regrouped wherever necessary

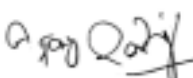
**For Bansal Sinha & Co.**  
Chartered Accountants  
FRN : 06184N

**For Goel Garg & Co.**  
Chartered Accountants  
FRN : 00397N

  
**(S.R. Sayal)**  
Company Secretary

  
**(R. Srinivasan)**  
Dy. General Manager (Accounts)

  
**(Ravinder Khullar)**  
(Partner)  
M.No: 082928

  
**(Ajay Katoori)**  
(Partner)  
M.No.: 084897

  
**(Anita Soni)**  
Director (Finance)

  
**(Kuldeep Singh)**  
Chairman & Managing Director

Place : New Delhi  
Date : 12th August, 2010



## ANNEXURE TO DIRECTOR'S REPORT

### Addendum to Director's Report 2009-10

Replies of Management to Auditors Report with regard to qualifications for the year 2009-10

Auditors Report	Reply of the Management
1) Note No.5 (a,b &c) regarding claim of the company for deduction under section 80IA of the Income Tax Act, 1961 pending at various appellate authorities. We are unable to comment on the impact as the outcome of these cases is not ascertainable at this stage.	The matter is pending before concerned authorities and is being pursued for settlement.
2) Note No. 6 (b) regarding accounting of Interest Income of Rs.7708.40 millions on Income Tax Refund pending appeal effects which is subject to adjustment as per the final orders to be passed by the Income Tax Department.	As per the ITAT judgment, pending refund from Income tax authorities, interest Income is accounted for on accrual basis. Refund orders from IT authorities are awaited.
3) Note No.20(e) regarding the issue of pension liability on account of absorbed employees is yet to be settled with the DOT which may have substantial impact on the profitability of the company.	Statement of fact.
4) Note No.16(a) & (b) regarding the amounts recoverable from DOT/ BSNL are subject to reconciliation and confirmation and in view of various pending disputes regarding each other's claims we are unable to comment on the impact of the same on the profitability of the company and Note No. 17 regarding non provision of certain claims of the BSNL on account of signaling charges, Transit tariff, MP Bills ,IUC Claims and IUC claims of MTNL rebutted by BSNL, Service Connection billing& TAX charges recoverable and payable, pending identification, reconciliation and settlement of these and other similar claims of the company the impact of the same is not ascertainable. Besides, Note no.25 regarding non provision for interest payable/ receivable on balances during the year due to absence of agreement between the company	<p>Management has taken up the matter of DOT related reconciliation with the Administrative ministry.</p> <p>A committee has been constituted by BSNL by mutual agreement vide letter No 16-56/ 2001-PHA-(1) dated 25th Apr 2009 consisting of officers of both MTNL and BSNL to reconcile the differences. The matter has further been reviewed. The income from BSNL has been booked as per accrual method of accounting in terms of regulations of TRAI and pertains to actual usage of TAX by BSNL for passing its traffic. Interest on GPF claim receivable is charged to DOT since interest is paid to the</p>



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| <p>and DOT/BSNL for interest recoverable/ payable on current account, except charging of interest on GPF claims receivable from DOT.</p>  | <p>employees on GPF while awaiting final settlement.</p>  |
| <p>5) The company has allocated the establishment overheads as per Annexure P and Administrative overheads as per Annexure Q. The company's policy in this regard needs to be made more scientific.</p>   | <p>As per schedule T on significant accounting policy of the company, vide para 2 (i), establishment overheads and expenses incurred in units where project work is undertaken are allocated to capital either on time allocated or other attributable basis.</p> |
| <p>6) Note No.44 regarding non provision of impairment of assets in terms with Accounting Standard 28.</p>  | <p>There is no indication at the balance sheet date that an asset may be impaired.</p>  |
| <p>7) Note No. 30 regarding accounting of IUC income and expenditure on estimated basis.</p>  | <p>The reconciliation is in process. Necessary adjustment entries, if any, shall be passed as per the reconciliation results.</p>   |
| <p>8) Note No. 38 (II) regarding the provision for employees benefits which have been made on the basis of actuarial valuation. There has been some changes in the assumptions taken for the purpose of this valuation, the issue being technical, we are unable to comment on the adequacy or otherwise of these provisions.</p> | <p>The change in assumption is due to Inflationary trend and is as suggested by the Independent actuary appointed by the company and hence accounted for accordingly.</p>   |
| <p>9) Note No. 38 (VII) regarding non provision of Bonus to employees in view of heavy losses.</p>  | <p>Statement of fact.</p>   |
| <p>10) Note No. 4 (iii)(b) regarding Non disclosure of the impact of the change in Accounting Policy regarding provision for Spill Over dues of closed leased circuit connections outstanding for less than three years.</p>  | <p>In respect of leased Circuit debtors spill over amount is not ascertainable as reconciliation of debtors is being processed. Necessary adjustment entries, if any shall be passed as per the reconciliation results</p>  |
| <p>11) Note No. 19 (b) regarding non provision of spectrum charges @1% of the revenues from 3G Spectrum pending the receipt of method of calculation from DOT.</p>  | <p>The disclosure in notes is self explanatory and discloses fully.</p>   |





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| <b>12) Note No.8 regarding non provision of stamp duty for the properties where the conveyance/ lease deed is yet to be executed, and the amount is unascertainable.</b>             | As per the Sale Deed executed between the company and DOT, stamp duty is the liability of DOT if required. As regards properties acquired after 1.4.86 the matter is taken up with concerned authorities and is in process. |
| <b>13) Accounting Policy No. 2 (iv) regarding valuation of scrapped/decommissioned assets which are not being revalued every year.</b>   | Since there is no active market available for determining the realizable value of the scrapped telecom assets, profit or loss on sale is accounted for only on actual sale.   |
| <b>14) Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts.</b>  | As per significant accounting policy no provision is required with respect to dues from operators as the outstanding is being pursued with them for settlement and there are ongoing transactions with most of them.        |
| <b>15) Note No. 26 regarding non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions.</b> | The properties have been acquired by the company for self use only hence the same were valued at cost.  |
| <b>16) Non provision of LTC/ encashment of LTC not availed by the employees, amount unascertained.</b>   | LTC block is ongoing and the claims get lapsed after completion of the block and hence no provision is required   |
| <b>17) Note No. 21 regarding non provision of diminution in the value of investments in subsidiaries and joint ventures.</b>   | The diminutions in value of Investments in subsidiaries and Joint ventures are considered as temporary, hence no provision is made.   |
| <b>18) Note No.22 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.</b>  | The process of reconciliation is being pursued.   |
| <b>19) Note No 15(b),3, regarding balance in subscriber's deposits account of Rs.7386.71 Million and interest accrued thereon of Rs.25.51 Million, unlinked receipts</b>             | The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation .  |

from subscribers Rs.385.21 Million are subject to reconciliation. Balance of sundry debtors as per Ageing Summary is short by Rs.62.09 Million with comparison to balance is general ledger though the same has been fully provided for ( Refer Note No. 14 and 15(c)). The reconciliation of metered and billed calls in various units is in process. The reconciliation of leased, operational and billed circuits is in progress. The final impact of above on the accounts is presently not ascertainable and the same may have an impact on the Profitability of the company.

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| <p>20) During the year no reconciliation of roaming receivables has been carried out. The impact of non-reconciliation of roaming debtors on profitability ,if any, is unascertainable</p>   | <p>The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation.</p> |
| <p>21) The system of issuance of completion certificates by engineering department needs to be strengthened. The impact due to the delay in issuance of completion certificate on Fixed Assets and Depreciation is not ascertainable.</p>  | <p>Noted.</p>  |
| <p>22) The balance of amount payable to GPF Trust is subject to confirmation, reconciliation and subsequent adjustments.</p>   | <p>The reconciliation is process.</p>  |
| <p>23) Note No.13 regarding the Bank Reconciliation Statements as at 31st March, 2010 include the unmatched/ unlinked credits and debits aggregating Rs.56.09 millions and Rs.69.16 millions respectively, which have not been properly accounted, in the absence of adequate particulars. The impact of such entries on the Accounts cannot be ascertained.</p> | <p>The reconciliation is process.</p>  |
| <p>24) Note No. 28 regarding provision for ADCC recoverable from Project Development Company and non accounting of interest thereon in absence of explicit agreement to that effect.</p>   | <p>Statement of fact.</p>  |



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| <b>25) Note No.10 (d) regarding Claims receivables include Rs.22.5 Million towards ADC charges receivable from certain operators accounted for on adhoc basis in the financial year 2007-08 and which may have an impact on the results on settlement/ acceptance.</b>                | The matter is being pursued.  |
| <b>26) Note No.5 (e) regarding non deduction of tax at source on services received from BSNL and treatment of the expenditure on account of Pension liability on the basis of actuarial valuation as an allowable expense based on experts opinion.</b>                               | Statement of fact.  |
| <b>27) Note No. 31 regarding a technical fraud involving a loss of Rs.243.55 millions which was observed during the year; however, no provision for the same has been made in the accounts as the matter is still under investigation.</b>  | The disclosure in notes is self explanatory and discloses fully.  |
| <b>28) The loss on account of unusable subscriber's instruments has not been ascertained and provided for.</b>  | The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation.   |
| <b>29) Note No.36 regarding the requisite information &amp; details for the identification of Micro, Small &amp; Medium enterprises as such we are unable to comment upon the compliance of section 15 &amp; 22 of the Micro Small &amp; Medium Enterprises Development Act-2006.</b> | Company has addressed all the creditors seeking information whether they come under MSMEDA 2006. As no response has been received, no action is required towards compliance on the sections of MSMEDA 2006. |
| <b>30) The Company has not made following disclosures required under Schedule VI of the Companies Act, 1956 as per references given after each items:</b>   | Not applicable.   |



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| i) <b>Consumption of stores and spares</b><br>(Para no.3 (x) (a) of part II)   | Not applicable.  |
| ii) <b>Consumption of imported and indigenous stores and spares and Percentage to the total consumption</b><br>(Para no.4 D (C) of Part II)              | Not applicable.  |
| iii) <b>The classification of sundry debtors as unsecured without considering the security deposit that the Company has received from subscribers.</b>   | The debtors are secured up to the extent covered by security deposit received from subscribers. However the same fact has been disclosed in schedule H of balance sheet. |
| iv) <b>Debtor's figures outstanding for more than six months and up to six months are ascertained by the management and relied upon by the auditors.</b> | This is as per the system generated report.  |

**(Kuldip Singh)**  
Chairman & Managing Director

Place : New Delhi  
Date : 31st August, 2010



**Confidential**

Rep-II/F-135/A/cs/MTNL/2008-09/430

क्रमांक.....

No.

कार्यालय



**महानिदेशक लेखापरीक्षा, डाक व दूरसंचार,**

**शाम नाथ मार्ग, ( समीप पुराना सचिवालय ) दिल्ली-110402**

OFFICE OF THE

**Director General of Audit, Post & Telecommunications  
Sham Nath Marg, (Near Old Secretariat), Delhi- 110402**

**Date : 20 /09/ 2010**

**To,**

**The Chairman and Managing Director,  
Mahanagar Telephone Nigam Limited,  
New Delhi-110001.**

**Subject : Comments of the Comptroller & Auditor General of India under  
Section 619 (4) of the Companies Act, 1956 on the annual accounts of  
Mahanagar Telephone Nigam Limited for the year ended 31 March 2010.**

**Sir,**

I am to forward herewith the comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the annual accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March, 2010 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/-

**(R.P. Singh)**

**Director General of Audit (P&T)**

**Encl (s): As above.**

**दूरभाष/ Telephone : 23812666, 23814533**

**तार/Telegram: CENOFF, DELI**

**फैक्स/Fax : 91-011-23813822**



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**Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the annual accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March 2010.**

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The preparation of financial statements of Mahanagar Telephone Nigam Limited (MTNL), for the year ended 31 March 2010 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the Management of the company. The Statutory Auditors appointed by the Comptroller & Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the Auditing and Assurance Standards prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 12 August 2010.

I, on behalf of the Comptroller & Auditor General of India, have conducted a supplementary audit under Section 619(3) (b) of the Companies Act, 1956 of the financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March 2010. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to enquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

**A) Comment on Profitability**

**Licence Fee**

**Rs. 3837.02 Million**

As per Department of Telecommunications (DoT's) instructions of May 2002 and subsequent notification on September 2006 while calculating the Adjusted Gross Revenue (AGR) for the purpose of working of the amount of Licence fee payable to DoT @ 10 per cent of AGR, the Public Switching Telecom Network (PSTN) related call charges and Roaming charges, which have actually been paid to Bharat Sanchar Nigam Limited (BSNL) and other service providers by MTNL during the year should be deducted from the Gross Revenue. However, in violation of the instructions of DoT, MTNL while calculating AGR for the current year 2009-10, deducted Rs. 2088.22 million from its



Gross Revenue towards PSTN related call charges and Roaming charges, which have actually not been paid by MTNL to BSNL during the year. This resulted in understatement of Licence Fee, Current Liabilities as well as understatement of Loss for the year by Rs. 208.82 million each.

**B) Other Comments**

**Persistent Non-reconciliation of debtors and creditors with BSNL**

As per Note No. 16(b) to the accounts, the amount recoverable from and the amount payable to BSNL have been shown as Rs. 20,318.25 million and Rs. 4,517.21 million from BSNL respectively, resulting in net recoverable amount of Rs. 15,801.04 million from BSNL. However, as per approved accounts of BSNL for the year 2009-10, the amount recoverable from and the amount payable to MTNL on current account are Rs. 30,627.20 million and Rs. 9,817.30 million, respectively, resulting in a net recoverable amount of Rs. 20,809.90 million from MTNL. Thus, there is net difference of Rs. 36,610.94 million in the receivable/payable amount between these two government companies.

There is a huge difference in the receivable/payable amounts between these two government companies under the same Ministry. However, no action has been taken by the Management to reconcile the amounts even after being pointed out by C&AG of India vide comment No. 12(ii) and 5(f) on the account of MTNL for the year ended 31st March 2005 and 31st March 2006 respectively and having been brought to the notice of Management through 'Management letter' on the accounts for the year 2008-09, emphasizing need for taking corrective/remedial action by the Management in consultation with the Audit Committee.

The impact of the above comment No. A on MTNL's accounts is Understatement of Loss for the year to the extent of Rs. 208.82 million.

**For and on the behalf of the  
Comptroller and Auditor General of India**

**(R.P. Singh)  
Director General of Audit (P&T)**

**Place : Delhi**

**Date : September 20, 2010**



## Annexure To Directors' Report

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Annual Accounts of Mahanagar Telephone Nigam Limited for the year ended 31<sup>st</sup> March, 2010 and Management's Replies thereon

### Comments of CAG of India of the Management

### Replies

#### A) Comment on Profitability Licence Fee Rs. 3837.02 Million

As per Department of Telecommunications (DoT's) instructions of May 2002 and subsequent notification on September 2006 while calculating the Adjusted Gross Revenue (AGR) for the purpose of working of the amount of Licence fee payable to DoT @ 10 per cent of AGR, the Public Switching Telecom Network (PSTN) related call charges and Roaming charges, which have actually been paid to Bharat Sanchar Nigam Limited (BSNL) and other service providers by MTNL during the year should be deducted from the Gross Revenue. However, in violation of the instructions of DoT, MTNL while calculating AGR for the current year 2009-10, deducted Rs. 2088.22 million from its Gross Revenue towards PSTN related call charges and Roaming charges, which have actually not been paid by MTNL to BSNL during the year. This resulted in understatement of Licence Fee, Current Liabilities as well as understatement of Loss for the year by Rs.208.82 million each.

The license fee has been correctly calculated since it is based on Adjusted Gross Revenue (AGR) which is calculated correctly taking into account the deduction from gross revenue relating to roaming and IUC charges paid / settled with other operators. It is also disclosed in para 17 of Notes to Accounts in Schedule T. For such purpose, the settlement with BSNL has been made by netting the amount of payment due to BSNL from the amount to be received from BSNL. The amount of deduction is correctly calculated based on recorded traffic and TRAI determined termination charges as well as agreed carriage charges (IUC).

Even as per TDSAT judgment dated 30.08.2007, it is permitted to deduct accrued IUC charges from the accrued revenues to arrive at the adjusted gross revenue.

While the TDSAT order of 30.08.2007 was stayed by the Hon'ble Supreme Court vide its interim order dated 08.01.2008, the Hon'ble Supreme Court vide its subsequent order dated 11.1.2010 in Appeal (Civil) No(s) 31371-31375/2009 modified the stay order to the extent that respondents will pay at the existing rates (i.e as per TDSAT orders dated 30.8.2007) subject to filing an undertaking by them that deficiency, if any, shall be made good by them. In view of the above, it was once again requested to DOT vide this office letter No MTNL/RA/AGR/2009/Pt dated 13th Sep 2010, that MTNL may be permitted to calculate AGR as per the above judgment to maintain level playing field, with an undertaking that any deficiency, based on the final decision of Hon'ble Supreme Court, shall be made good by MTNL. Moreover since the calculation of AGR is factual and correct, based on accurately calculated deductions based on recorded traffic and approved tariffs, there is no impact on the profitability of the company.





**B) Other Comments**  
**Persistent Non-reconciliation of debtors and creditors with BSNL**

As per Note No. 16(b) to the accounts, the amount recoverable from and the amount payable to BSNL have been shown as Rs. 20,318.25 million and Rs. 4,517.21 million from BSNL respectively, resulting in net recoverable amount of Rs. 15,801.04 million from BSNL. However, as per approved accounts of BSNL for the year 2009-10, the amount recoverable from and the amount payable to MTNL on current account are Rs. 30,627.20 million and Rs. 9,817.30 million, respectively, resulting in a net recoverable amount of Rs. 20,809.90 million from MTNL. Thus, there is net difference of Rs. 36,610.94 million in the receivable/payable amount between these two government companies.

There is a huge difference in the receivable/payable amounts between these two government companies under the same Ministry. However, no action has been taken by the Management to reconcile the amounts even after being pointed out by C&AG of India vide comment No. 12(ii) and 5(f) on the account of MTNL for the year ended 31st March 2005 and 31st March 2006 respectively and having been brought to the notice of Management through 'Management letter' on the accounts for the year 2008-09, emphasizing need for taking corrective/remedial action by the Management in consultation with the Audit Committee.

**The impact of the above comment No. A on MTNL's accounts is Understatement of Loss for the year to the extent of Rs. 208.82 million.**

The amount recoverable from BSNL pertains to five years and the amount payable to BSNL pertains to five years. The amount of revenue accrued from BSNL is Rs.3721.15 millions for the FY 2009-10 which is shown under Schedule N in the P&L A/C and Rs.3157.50 millions payable to BSNL, which is shown in Revenue sharing Expenditure of P & L A/C.

MTNL has been raising the bills on BSNL for providing various services under IUC regulations, underground ducts and infrastructure facilities being used by BSNL, based on the actual usage and approved rates based on TRAI rates and commercial terms applicable to other operators too. The claims receivable as well as payable are accounted for on the basis of the approved charges which are consistently being applied to other entities too, with authentic documents of this office and duly audited by various authorities.

No basis of BSNL's reported averment that Rs.30,627.20 million is recoverable from MTNL on current account is available and no supporting evidence / details are provided and hence can not be accepted. Hence the figures furnished by BSNL in their report is not considered acceptable. The non reconciliation / confirmation by BSNL of the same is disclosed in the financial statements vide note 16(b) and also qualified vide 4 (d) of audit report.

Settlement took place up to 2004-05 under the aegis of DoT. Further, for 2005-06 detailed discussions between MTNL and BSNL took place over IUC settlement and major part of the settlement stood completed. For further settlement and to resolve issues of varying complexity, a High Level Committee has been formed consisting of senior officers of MTNL and BSNL vide BSNL letter No. 16-56/2001-PHA -D dated 25th April 2009 for settlement of all such pending dues and sharing of network etc. Already some discussions have taken place and the reconciliation is in progress. The CMD's of the two companies along with their senior officers met on 15th March, 2010 to discuss the pending issues and further steps are being taken.



As the reconciliation is in progress, impact if any, can be made in the accounts only on completion of the reconciliation process. In the meantime provision for amounts considered payable based on recorded data and approved rates, have been properly made

Sd/-

(R.P. Singh)

Director General of Audit P & T

(Kuldip Singh)

Chairman and Managing Director

Place : New Delhi

Date : 20.09.2010




**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANY**

- |   |                              |
|---|------------------------------|
| 1. Name of the Subsidiary Company   | Millennium Telecom Ltd.(MTL) |
| 2. Financial Year of MTL ended on   | 31st March, 2010             |
| 3. Extent of MTNL's interest in MTL at the end of financial year 2009-10  | 100%                         |
| 4. Net aggregate amount of MTL's profit (Loss). so far as it concern the members of MTNL and is not dealt within the accounts of MTNL |                              |
| i) For the F.Y. of MTL ended on 31st March 2010   | Rs.1164647                   |
| ii) For previous F.Y.s of MTL since it became subsidiary  | Rs.26019177                  |
| 5. Net aggregate amount of MTL's profit (Loss). so far as it concern the members of MTNL and is dealt within the accounts of MTNL     |                              |
| i) For the F.Y. of MTL ended on 31st March 2010   | Nil                          |
| ii) For previous F.Y.s of MTL since it became subsidiary  | Nil                          |
| 6. Where the Financial Year(s) of MTL does not coincide with that of MTNL, then:  | Not Applicable               |
| (a) Change in MTNL's interest in MTL between the end of F.Y. of MTNL and that of MTL  |                              |
| (b) Details of material changes which have occurred between the end of F.Y of MTNL and that of MTL in respect of                      |                              |
| i. MTL's Fixed Assets'  |                              |
| ii. Its investments;  |                              |
| iii. The moneys lent by it  |                              |
| iv. The moneys borrowed by it for any purpose other than that of meeting current liabilities  |                              |

For and on behalf of Mahanagar Telephone Nigam Limited

  
**(S.R.Sayal)**  
Company Secretary

  
**(R. Srinivasan)**  
DGM (Accounts)

  
**(Anita Soni)**  
Director (Finance)

  
**(Kuldip Singh)**  
Chairman &  
Managing Director

**Place : New Delhi**  
**Date : 01-09-2010**



**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956  
RELATING TO SUBSIDIARY COMPANY**

- |  |  |
|--|--|
| 1. Name of the Subsidiary Company  | Mahanagar Telephone (Mauritius) Ltd.(MTML) |
| 2. Financial Year of MTML ended on   | 31st March, 2010                           |
| 3. Extent of MTNL's interest in MTML at the end of financial year 2009-10  | 100%                                       |
| 4. Net aggregate amount of MTML's profit (Loss). so far as it concern the members of MTNL and is not dealt within the accounts of MTNL |  |
| a. For the F.Y. of MTML ended on 31st March 2010   | Rs.5254355                                 |
| b. For previous F.Y.s of MTML since it became subsidiary   | Rs.(138048343)                             |
| 7. Net aggregate amount of MTML's profit (Loss). so far as it concern the members of MTNL and is dealt within the accounts of MTNL     |  |
| i) For the F.Y. of MTML ended on 31st March 2010   | Nil  |
| ii) For previous F.Y.s of MTML since It became subsidiary  | Nil  |
| 8. Where the Financial Year(s) of MTML does not coincide with that of MTNL, then:  | Not Applicable                             |
| (a) Change in MTNL's interest in MTML between the end of F.Y. of MTNL and that of MTML   |  |
| (b) Details of material changes which have occurred between the end of F.Y of MTNL and that of MTML in respect of                      |  |
| i) MTML's Fixed Assets'  |  |
| ii) Its investments;   |  |
| iii) The moneys lent by it   |  |
| iv) The moneys borrowed by it for any purpose other that of meeting current liabilities  |  |

For and on behalf of Mahanagar Telephone Nigam Limited

**(S.R.Sayal)**  
Company Secretary

**(R. Srinivasan)**  
DGM (Accounts)

**(Anita Soni)**  
Director (Finance)

**(Kuldeep Singh)**  
Chairman &  
Managing Director

**Place : New Delhi**  
**Date : 01-09-2010**



# MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

## DIRECTORS REPORT

Dear Shareholders,

The Directors of your company have pleasure in presenting the 10th Annual Report of your Company together with Statement of Accounts and Auditors Report for the period ended on 31st March, 2010.

## OPERATIONS OF THE COMPANY

### Sub-Marine Project

As you aware, your company had felt the need for a new international sub-marine cable system extending between India and other Asian countries including UAE to serve its future needs.

Millennium cable system (MCS) project is being undertaken in joint venture with Bharat Sanchar Nigam Limited (BSNL). The shareholding of your company will be subscribed in the ratio of 50:50 by Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL), the two Public Sector Undertakings. The cable will be laid from Indian East Coast to South-east Asia and from Indian West Coast to middle East with an aim for onward connectivity to the Europe and North America through existing and newly planned submarine cables. M/s AXIOM, France, was appointed as the Consultant for procurement and implementation of the project and the tender was floated.

The viability of the project was reviewed in view of significant reduction in bandwidth price. Keeping in view the high cost of the project, investment in this project by BSNL and MTNL alone is being reviewed. MTL is examining the possibility of forming a consortium with the Telecom Operators. It was also decided that despite the fact that international bandwidth cost is falling, MTNL & BSNL being the leading broadband service providers, it is felt that the option of having our own submarine cable network should not be abandoned. A suitable consultant may be hired for finding suitable partners finance for the project, preparing business cable etc.

For technical consultancy, considering the past experience and status of the consultant (M/S AXIOM), the steering committee will get in touch with him to work out the details for continued association with this Project.

## FINANCIAL HIGHLIGHTS

During the year under report, even though the Company has no operating income, yet it has earned other income (interest on the Fixed Deposits) amounting of Rs. 2,254,602/- as against Rs.26,25,616 for the last year and made a profit before taxation of Rs 1,750,762/- as against the profit before taxation of Rs 1,779,420 /-during the last year.



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## **SHARE CAPITAL**

The paid up Share Capital of the Company is Rs 28,758,800 divided into 28,75,880 equity shares of Rs 10/- each. All the shares are being held by MTNL (Holding Company) and its nominees. The Joint Venture partner Bharat Sanchar Nigam Limited (BSNL) will be initially contributing the same amount to make it 50:50 JV. Both BSNL and MTNL would subscribe for more capital in the company in the near future.

## **DIVIDEND**

In the absence of any operating income, the Board of Directors have not considered it prudent to recommend any dividend for the year ended on 31.03.2010.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Sec 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

## **CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION**

Being a service providing organization, the relevant rules in this regard are not applicable to your Company.

## **FOREIGN EXCHANGE EARNINGS AND OUTGO**

During the year, there was no foreign exchange earning and outgo.

## **PARTICULARS OF EMPLOYEES**

During the year under report, there was no employee who was in receipt of remuneration in excess of limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules, 1975.

## **DIRECTORS**

Smt. Anita Soni & R.K. Aggarwal continued to be the Director of your Company. The following changes have taken place amongst the Board of Directors during the year.



1. Shri Kuldeep Goyal, CMD BSNL took over as the chairman of the Company w.e.f. 16.3.2010.
2. Shri S.P. Pachauri was appointed Director in place of Shri Kuldeep Singh w.e.f. 16.3.2010.
3. Shri Rajendra Singh has ceased to be the Director w.e.f. 31.5.2010 on attaining the age of superannuation.
4. Shri Gopal Das has been appointed Director w.e.f. 27.7.2010.

#### **CHIEF OPERATING OFFICER**

Shri Peeyush Aggarwal, Chief General Manager (LS) MTNL Mumbai continued to the Chief Operating Officer (COO) of the Company.

#### **AUDITORS**

M/s D.N. Kubal & CO, Chartered Accountants were re-appointed as statutory auditors of your company by Comptroller & Auditors General of India( C &AG) for the year 2009-2010 & 2010-2011.

#### **ACKNOWLEDGEMENT**

The Board of Directors expresses its gratitude to the holding company i.e. MTNL, the Joint Venture partner BSNL, Department of Telecom (DOT) and other Govt. Ministries/Departments for their help, guidance and support extended to your company from time to time.

The Board feels pleasure in placing on record its sincere appreciation for the valuable services rendered by the management of MTNL and BSNL at all levels.

**For and on behalf of Board of Directors**

Sd/-  
(Kuldeep Goyal)  
**CHAIRMAN**

**Place : New Delhi**  
**Date : 27th July, 2010**



**DEEPAK KUBAL**  
B. Com., LL.B., F.C.A.

**SADHANA N. KUBAL**  
B. Com., F.C.A.

**For D. N. KUBAL & CO.**  
Chartered Accountants  
A-7, Anand Nagar,  
Sitla Devi Temple Road,  
Mahim, Mumbai-400016

## AUDITOR'S REPORT

To the members of **MILLENIUM TELECOM LIMITED**

1. We have audited the attached Balance Sheet of **MILLENIUM TELECOM LIMITED** as at 31st March 2010, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the companies Act, 1956 (the Act), we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
  - ii) In our opinion proper books of account as required by law, have been kept by the company so far as appears from our examination of those books;
  - iii) The Company's Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
  - iv) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;





- v) On the basis of the written representation received from the directors as on 31st March, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and other Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a. In the case of the Balance Sheet, of the state of the affairs of the company as at 31st March 2010;
  - b. In the case of the Profit & Loss Account, of the Profit for the year ended on that date.; and
  - c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

**For D. N. KUBAL & CO.**  
Chartered Accountants

sd/-

**DEEPAK KUBAL**  
(M No 34078)  
Partner

**Place: Mumbai**  
**Date : 31.07.2010**



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## ANNEXURE TO THE AUDITORS' REPORT

- (i)
  - a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
  - c) As per the information and explanation given to us on our enquiries the disposal of assets during the year was not substantial so as to have an impact on the operations of the company, or affect its going concern.
- (ii) As the company is not dealing in any goods. Accordingly clause 4 (ii)(a) to (c) does not apply to the company.
- (iii) As per the information given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). Accordingly, clauses (iii)(a)(b)(c) and (d) of paragraph 4 of the Order are not applicable to the Company.
- e) The company has received unsecured interest free loan from its holding company MTNL, the outstanding balance as on 31st March, 2010 is Rs 824276/-. As per the explanations given to us by management, the company has maintained register under section 301 of the Companies Act, 1956 which is kept at Delhi office and not produced before us.
- f) The company has received unsecured interest free loan from its holding company MTNL, therefore rate of interest & other terms & conditions does not apply
- g) As the company has received unsecured interest free loan from its holding company MTNL, therefore there is no repayment schedule, no interest payable. These loans are payable on demand so there is no overdue amount.
- iv In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in these areas
- v
  - a. In our opinion and according to the information and explanations given to us, the contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been entered in the register and the register is maintained by the company at its Delhi office and the register is not produced before us.
  - b. In reply to the query of Government Auditors for 2006-2007 the company has promised to produce



the register at Bombay office for verification of the auditor, but the company has not produced the same before us.

- c. In our opinion and according to the information and explanations given to us, the contracts or arrangements referred to in Section 301 of the Act and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time and other relevant circumstances.
- vi As per the explanations given to us, the Company has not accepted any deposits from public.
- vii The Company has no formal internal audit system. However, its control procedures ensure reasonable internal checking of its financial & other records.
- viii To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- ix
  - a. According to the information and explanations given to us by the management Provident fund, Investor Education and Protection Fund, Employee's State Insurance, Sales tax, Wealth Tax, Customs Duty, Excise Duty, Cess is not applicable.
  - b. According to the information and explanations given to us there are no disputed amount Income Tax / Sales/ Walth tax / Service tax / Custom duty/ Excise Duty /cess that have not been deposited on account of any dispute
- x According to the records of the Company examined by us and the information and explanation given to us by the management, the company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit or in the immediately preceding financial year.
- xi According to the records of the Company examined by us and the information and explanation given to us by the management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date
- xii As per the explanations given to us by management, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore maintaining of adequate documents and records is not applicable.
- xiii The Company is not a chit fund company so the clause (xiii) of paragraph 4 & sub-clauses (a) to (d) of clause xiii of second part of paragraph 4 of the Order does not apply.
- xiv As per information and explained to us, the Company has not dealt /trade in securities or debentures during the year. The Company's surplus funds are invested in Bank Fixed deposit of which proper records have been maintained and timely entries have been made therein. This Fixed deposit was held by the Company in its own name.



- 
- xv As per the information and explanation given to us, the company has not given any guarantee for loans taken by others.
- xvi As per the information given to us and from verification of records, the Company has not obtained any term loans.
- xvii As per the information given to us, the company has not taken any term loans. Accordingly this clause (xvii) of paragraph 4 of this Order does not apply.
- xviii As per the information and explanation given to us, the Company has not made any preferential allotment of shares, during the year, to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix As per the information and explanation given to us and the records verified by us for the period under concerned the Company has not issued any debentures.
- xx The company in the recent past has not raised any money by public issue.
- xxi As per the information and explanation given to us and in our opinion, considering the size and nature of the company's operations, no fraud of material significance has been noticed or reported on or by the company during the year to which our Audit report is related.

**For D. N. KUBAL & CO.**  
Chartered Accountants

sd/-

**DEEPAK KUBAL**  
(M No 34078)  
Partner

**Place: Mumbai**  
**Date : 31.07.2010**



**MILLENNIUM TELECOM LIMITED**  
**BALANCE SHEET AS AT 31st MARCH, 2010**

	Schedule No.	As at 31.3.2010 (Rupees)	As at 31.3.2009 (Rupees)
<b>I. SOURCES OF FUNDS :</b>			
<b>1. SHAREHOLDERS' FUNDS</b>			
(a) Share Capital	<b>A</b>	28,758,800	28,758,800
(b) Reserves & Surplus	<b>B</b>	28,179,005	27,014,358
		<b>56,937,805</b>	<b>55,773,158</b>
<b>2. LOAN FUNDS :</b>			
(a) Unsecured Loan	<b>C</b>	824,276	717,101
		<b>824,276</b>	<b>717,101</b>
2. Deferred Tax Liability	<b>D</b>	123,336	158,221
		<b>123,336</b>	<b>158,221</b>
<b>TOTAL</b>		<b>57,885,417</b>	<b>56,648,480</b>
<b>II. APPLICATION OF FUNDS :</b>			
<b>1. FIXED ASSETS</b>	<b>E</b>		
(a) Gross Block		3,754,782	3,754,782
(b) Less : Depreciation		2,786,366	2,518,236
(c) Net Block		<b>968,416</b>	<b>1,236,546</b>
<b>2. CURRENT ASSETS, LOANS AND ADVANCES :</b>			
(a) Sundry Debtors	<b>F</b>	13,695,595	13,695,595
(b) Cash and Bank Balances	<b>G</b>	24,539,984	28,437,555
(c) Other Current Assets	<b>H</b>	2,038,012	242,637
(d) Loans & Advances	<b>I</b>	16,065,296	11,423,286
		<b>56,338,887</b>	<b>53,799,073</b>
<b>Less: Current Liabilities &amp; Provisions</b>			
(a) Liabilities	<b>J</b>	8,007,586	7,593,839
(b) Provisions	<b>K</b>	2,735,300	2,114,300
		10,742,886	9,708,139
<b>NET CURRENT ASSETS</b>		<b>45,596,001</b>	<b>44,090,934</b>
3. Miscellaneous Expenditure (to the extent not written off or adjusted)	<b>L</b>	11,321,000	11,321,000
		<b>11,321,000</b>	<b>11,321,000</b>
<b>TOTAL</b>	<b>Q</b>	<b>57,885,417</b>	<b>56,648,480</b>
<b>Accounting Policies &amp; Notes forming part of Accounts</b>			

Sd/-  
**S.R.Sayal**  
Company Secretary

Sd/-  
**Peeyush Agrawal**  
Chief Operating Officer

Sd/-  
**Anita Soni**  
Director

Sd/-  
**Kuldeep Goyal**  
Chairman

**AS PER OUR ATTACHED REPORT OF EVEN DATE**

**For M/s D. N. KUBAL & CO.**  
Chartered Accountants

Sd/-  
**DEEPAK KUBAL**  
Partner

**PLACE : MUMBAI**

**DATED : 31.07.2010**



**MILLENNIUM TELECOM LIMITED**  
**PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2010**

	Schedule No.	For the year ended 31.3.2010 (Rupees)	For the year ended 31.3.2009 (Rupees)
<b>INCOME</b>			
Income from Operation	M	-	-
Other Income	N	2,254,602	2,625,616
	<b>TOTAL</b>	<b>2,254,602</b>	<b>2,625,616</b>
<b>EXPENDITURE</b>			
Administrative, Operating & Other Expenses	O	235,710	440,685
Depreciation	E	268,130	405,511
	<b>TOTAL</b>	<b>503,840</b>	<b>846,196</b>
NET PROFIT/(LOSS) BEFORE TAXATION		1,750,762	1,779,420
Provision for Bad & Doubtful Debts		-	98,810
Provision for Taxation			
- Deferred Tax Asset		-	1,123,233
- On Depreciation		(34885)	158,221
- Current tax		621,000	679,000
		<b>1164647</b>	<b>(279844)</b>
<b>Prior Period Adjustments</b>			
Excess provision of Dep. Written Back		0	11,290
Excess provision of Exp. Written Back		0	8,250
Prior Period Expenses	P	0	264,261
Balance carried to Balance Sheet		<b>1164647</b>	<b>(524565)</b>
Accounting Policies & Notes forming part of Accounts	Q		
Average number of equity shares		2,875,880	2,875,880
Basic & Diluted EPS		<b>0.40</b>	<b>(0.18)</b>

Sd/-  
**S.R.Sayal**  
Company Secretary

Sd/-  
**Peeyush Agrawal**  
Chief Operating Officer

Sd/-  
**Anita Soni**  
Director

Sd/-  
**Kuldeep Goyal**  
Chairman

**AS PER OUR ATTACHED REPORT OF EVEN DATE**

**For M/s D. N. KUBAL & CO.**  
Chartered Accountants

Sd/-  
**DEEPAK KUBAL**  
Partner

**PLACE : MUMBAI**  
**DATED : 31.07.2010**



## SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

### SCHEDULE - A

#### SHARE CAPITAL

	As at 31.3.2010 (Rupees)	As at 31.3.2009 (Rupees)
<b><u>AUTHORISED</u></b>		
100000000 Equity Shares of Rs. 10/- each	1,000,000,000	1,000,000,000
<b><u>ISSUED, SUBSCRIBED &amp; PAIDUP CAPITAL</u></b>		
28,75,880 Equity Shares (P.Y. 28,75,880) of Rs. 10/- each (All shares held by Mahanagar Telephone Nigam Ltd the holding company and its nominees)	28,758,800	28,758,800
<b>TOTAL</b>	28,758,800	28,758,800

### SCHEDULE - B

#### RESERVES & SURPLUS

	As at 31.3.2010 (Rupees)	As at 31.3.2009 (Rupees)
Revenue Reserve	995,181	995,181
Profit and Loss Appropriation Account		
Opening Balance	26,019,177	
Add: Current year's profit	1,164,647	26,019,177
<b>TOTAL</b>	28,179,005	27,014,358

### SCHEDULE - C

#### UNSECURED LOAN

	As at 31.3.2010 (Rupees)	As at 31.3.2009 (Rupees)
Loan from Holding Company		
MTNL, Corporate Office	824,276	717,101
<b>TOTAL</b>	824,276	717,101

### SCHEDULE - D

#### DEFERRED TAX LIABILITIES

	As at 31.3.2010 (Rupees)	As at 31.3.2009 (Rupees)
On Depreciation	123,336	158,221
<b>TOTAL</b>	123,336	158,221

# **SCHEDULE - E : FIXED ASSETS**

As per Companies Act, 1956

A.Y. 2010-2011

F.Y. 2009-2010

Sr. No.	Description	Rate of Depn.	GROSS BLOCK				DEPRECIATION				NET BLOCK	
			As on 01/04/2009	Additions during the year	Deductions (At Cost)	As on 31.03.2010	As At 1.4.2009	For The Year	Written Back	As At 31.3.2010	As At 31.3.2009	
1	<b>Apparatus &amp; Plants</b>											
	Equipment & Apparatus	9.50%	82,639	-	-	82,639	61,126	7,851	-	68,977	13,662	21,513
2	<b>Electrical Appliances</b>											
	Electrical Fittings	6.33%	62,215	-	-	62,215	23,062	3,938	-	27,000	35,215	39,153
	Air Condition	4.75%	117,760	-	-	117,760	27,102	5,594	-	32,696	85,064	90,658
3	<b>Furniture &amp; Fixtures</b>											
	Furniture & Fixtures	6.33%	474,252	-	-	474,252	192,533	30,020	-	222,553	251,699	281,719
4	<b>Office Machinery</b>											
	Cellular Telephone Handset	4.75%	8,200	-	-	8,200	2,633	389	-	3,022	5,178	5,567
	Water Filter	4.75%	15,280	-	-	15,280	4,678	726	-	5,404	9,876	10,602
	Fax Machine	4.75%	63,765	-	-	63,765	19,410	3,029	-	22,439	41,326	44,355
	Xerox Machine	4.75%	123,615	-	-	123,615	38,690	5,872	-	44,562	79,053	84,925
	EPABX System	4.75%	11,990	-	-	11,990	3,364	570	-	3,934	8,056	8,626
	Scanner	16.21%	11,024	-	-	11,024	11,024	-	-	11,024	-	-
	Web Camera	16.21%	4,347	-	-	4,347	3,899	448	-	4,347	-	448
	LCD Projector	16.21%	256,601	-	-	256,601	196,048	41,595	-	237,643	18,958	60,553
	ISDN Router	16.21%	16,500	-	-	16,500	15,669	831	-	16,500	-	831
5	<b>Vehicles</b>											
	Motor Car	9.50%	636,216	-	-	636,216	392,948	60,441	-	453,389	182,827	243,268
6	<b>Computers</b>											
	Modems - MSDSL	16.21%	371,592	-	-	371,592	371,592	-	-	371,592	-	-
	Computer	16.21%	775,628	-	-	775,628	769,101	6,527	-	775,628	-	6,527
	Printer	16.21%	104,408	-	-	104,408	104,408	-	-	104,408	-	-
	Laptop	16.21%	618,750	-	-	618,750	280,949	100,299	-	381,248	237,502	337,801
	<b>TOTAL</b>		<b>3,754,782</b>	<b>-</b>	<b>-</b>	<b>3,754,782</b>	<b>2,518,236</b>	<b>268,130</b>	<b>-</b>	<b>2,786,366</b>	<b>968,416</b>	<b>1,236,546</b>
	<b>PREVIOUS YEAR</b>		<b>3,754,782</b>	<b>-</b>	<b>-</b>	<b>3,754,782</b>	<b>2,124,015</b>	<b>405,511</b>	<b>11,290</b>	<b>2,518,236</b>	<b>1,236,546</b>	<b>1,630,767</b>





## **SCHEDULE - F**

### **SUNDRY DEBTORS**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
<b>Outstanding for a period exceeding six months</b>		
- Unsecured Considered Good	13,695,595	13,695,595
Other Debts		
<b>Outstanding for a period exceeding six months</b>		
- Unsecured Considered Bad & not other debts	215,771	215,771
<b>Less: Provision for Bad &amp; Doubtful debts</b>	215,771	215,771
<b>TOTAL</b>	<b>13,695,595</b>	<b>13,695,595</b>

## **SCHEDULE - G**

### **CASH & BANK BALANCES**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Cash in Hand	-	-
Balance with Scheduled Banks		
- In Current Account with Indian Overseas Bank	800,579	26,698,150
- In Current Account with ICICI Bank	100,825	100,825
- In Deposit Account	23,638,580	1,638,580
Balance with Non-Scheduled Banks		
<b>TOTAL</b>	<b>24,539,984</b>	<b>28,437,555</b>

## **SCHEDULE - H**

### **OTHER CURRENT ASSETS**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Telephone Deposit	-	-
Prepaid Expenses	2,548	3,045
Receivable from MTNL, Delhi	56,047	56,047
Receivable from MTNL, Mumbai	118,166	118,166
Interest Accrued on FD with Bank (TDS - Rs.773,203)	1,861,251	65,379
<b>TOTAL</b>	<b>2,038,012</b>	<b>242,637</b>



## **SCHEDULE - I**

### **LOANS & ADVANCES (Unsecured)**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Income Tax Paid (A.Y. 2005-06)	857,155	857,155
Income Tax Paid (A.Y. 2006-07)	351,885	351,885
Income Tax Paid (A.Y. 2008-09)	137,500	-
Income Tax Paid (A.Y. 2009-10)	121,380	-
FBT Paid (A.Y. 2007-2008)	9,380	-
FBT Paid (A.Y. 2008-2009)	11,586	-
FBT Paid (A.Y. 2009-2010)	5,891	-
Income Tax Paid (RECOVERED BY I TAX)	13,169,506	9,038,692
TDS RECOVERED BY BANK - 090402	1,401,013	1,175,554
<b>TOTAL</b>	<b>16,065,296</b>	<b>11,423,286</b>

## **SCHEDULE - J**

### **CURRENT LIABILITIES**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Outstanding Expenses	71,695	65,000
Earnest Money Deposit - 131600	4,131,283	4,131,283
MTNL	1,663,945	1,663,945
Profession Tax Payable	17,500	-
AO (T-I), MTNL, MUMBAI	389,552	-
Service Tax Payable	779,119	779,119
Sundry Creditors	126,553	126,553
Provision for Direct Expenses	827939	827939
<b>TOTAL</b>	<b>8,007,586</b>	<b>7,593,839</b>

## **SCHEDULE - K**

### **PROVISIONS**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Provision for Taxation	2735300	2114300
<b>TOTAL</b>	<b>2,735,300</b>	<b>2,114,300</b>



## **SCHEDULE - L**

### **MISCELLANEOUS EXPENDITURE**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Preliminary Expenses to the extent not w/off		
Registration Fees	-	-
Stamp duty	-	-
Professional & Consultancy Charges to the extent not w/off	11,321,000	11,321,000
<b>TOTAL</b>	<b>11,321,000</b>	<b>11,321,000</b>

## **SCHEDULE - M**

### **INCOME FROM OPERATIONS**

	<b>As at 31.3.2010 (Rupees)</b>	<b>As at 31.3.2009 (Rupees)</b>
Income from e-Tendering Services	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

## **SCHEDULE - N**

### **OTHER INCOME**

	<b>For the year ended 31.3.2010 (Rupees)</b>	<b>For the year ended 31.3.2009 (Rupees)</b>
Interest on FD with Bank	2,254,602	2,625,616
Miscellaneous Income	-	-
<b>TOTAL</b>	<b>2,254,602</b>	<b>2,625,616</b>



## **SCHEDULE - O**

### **ADMINISTRATIVE, OPERATING & OTHER EXPENSES**

	<b>For the year ended 31.3.2010 (Rupees)</b>	<b>For the year ended 31.3.2009 (Rupees)</b>
Auditors remuneration	71,695	65,000
Bank Charges & Commission	101,703	3,840
Conveyance	-	794
Consultancy Fees	-	41,814
Insurance charges	3,941	5,868
Postage & Courier	-	208
Professional & Legal Charges	16,500	186,909
Professional Tax	12,500	-
Interest on Professional Tax	5,000	-
Miscellaneous Expenses	-	11,050
Printing & Stationery	-	1,295
Repairs & Maintainance (Office Machinery & Computers)	-	17,850
Refreshment Expenses	8,966	19,790
Travelling Expenses	15,405	57,550
Bank Guarantee Commission	-	28,217
Filing Fees R.O.C	-	500
<b>TOTAL</b>	<b>235,710</b>	<b>440,685</b>

## **SCHEDULE - P**

### **PRIOR PERIOD EXPENSES**

	<b>For the year ended 31.3.2010 (Rupees)</b>	<b>For the year ended 31.3.2009 (Rupees)</b>
Professional & Legal Charges	-	19,135
Consultancy Fees	-	67,200
Bank Guarantee Commission	-	177,926
<b>TOTAL</b>	<b>-</b>	<b>264,261</b>



**MILLENNIUM TELECOM LIMITED**  
**CASH FLOW STATEMENT**

	As at 31.3.2010 (Rupees)	As at 31.3.2009 (Rupees)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and extraordinary items	1,750,762	1,779,420
Adjustment for non cash items/items to be disclosed seperately:		
Interest Income	(2,254,602)	(2,625,616)
Prior Period Items	-	(256,011)
Amortisation	-	-
Depreciation	268,130	405,511
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(235,710)</b>	<b>(696,696)</b>
<b>ADJUSTMENTS FOR CHANGES IN WORKING CAPITAL</b>		
(Increase)/ Decrease in Other Current Assets	(1,795,375)	4,732,509
(Increase)/ Decrease in Loans & Advances	(4,642,010)	(9,441,043)
Increase/ (Decrease) in Trade payable	1,034,747	(979,741)
<b>CASH GENERATED FROM OPERATIONS</b>	<b>(5,638,348)</b>	<b>(6,384,971)</b>
<b>Extra Ordinary Items: Misc. Expenditure</b>	-	-
Income Tax refund received	-	-
Income Tax paid	621,000	679,000
<b>NET CASH FLOW FROM OPERRATING ACTIVITIES (A)</b>	<b>(6,259,348)</b>	<b>(7,063,971)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets	-	-
Sale of Fixed Assets	-	-
Interest received	2,254,602	2,625,616
<b>NET CASH FLOW FROM INVESTING ACTIVITIES (B)</b>	<b>2,254,602</b>	<b>2,625,616</b>
<b>CASH FLOW FROM FINANCE ACTIVITIES:</b>		
Proceeds from Issue of Share Capital	-	-
Unsecured Loan taken	107,175	486,285
Repayment of Unsecred Loan	-	-
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>107,175</b>	<b>486,285</b>
<b>NET INCREASEASE IN CASH AND CASH EQUIVALENT (A+B+C)</b>	<b>(3,897,571)</b>	<b>(3,952,070)</b>
<b>CASH AND CASH EQUIVALENTS AS AT 1st April, 2009</b>	<b>28,437,555</b>	<b>32,389,625</b>
<b>(OPENING BALANCE)</b>		
<b>CASH AND CASH EQUIVALENTS AS AT 31st March, 2010</b>	<b>24,539,984</b>	<b>28,437,555</b>
<b>(CLOSING BALANCE)</b>		

Sd/-  
**S.R.Sayal**  
Company Secretary

Sd/-  
**Peeyush Agrawal**  
Chief Operating Officer

Sd/-  
**Anita Soni**  
Director

Sd/-  
**Kuldeep Goyal**  
Chairman

**AS PER OUR ATTACHED REPORT OF EVEN DATE**

**For M/s D. N. KUBAL & CO.**  
Chartered Accountants

Sd/-  
**DEEPAK KUBAL**  
Partner

**PLACE : MUMBAI**  
**DATED : 31.07.2010**



## **SCHEDULE - 'Q' PART-A**

### **SIGNIFICANT ACCOUNTING POLICIES**

**1. Basis of presentation of financial statements :**

The financial statements are prepared under the historical cost convention, on the basis of going concern and in accordance with generally accepted accounting principles in India and as per the provisions of the Companies Act, 1956.

**2. Fixed assets:**

Fixed assets are stated at cost (Gross block) less accumulated depreciation.

**3. Depreciation:**

Depreciation on fixed assets has been provided on straight-line method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.

**4. Amortization**

Preliminary Expenses has been fully written off.

**5. Income recognition:**

All incomes have been recognized on accrual basis. Interest on deposit with banks is recognized on day-to-day basis.

**6. Provision for Current & Deferred Tax:**

Provision for current tax has been made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961. Deferred tax resulting from timing differences between the book and the taxable profits for the year is accounted for, using the tax rates & the laws that have been substantively enacted as of the balance sheet date. Deferred tax assets is recognized and carried forward only to the extent there is reasonable certainty that this would be realized in future.

**7. Retirement benefits:**

No provision for retirement benefits has been made since there are no employees.

Sd/-  
**S.R.Sayal**  
Company Secretary

Sd/-  
**Peeyush Agrawal**  
Chief Operating Officer

Sd/-  
**Anita Soni**  
Director

Sd/-  
**Kuldeep Goyal**  
Chairman

**For M/s D. N. KUBAL & CO.**  
Chartered Accountants

Sd/-  
**DEEPAK KUBAL**  
Partner

**PLACE : MUMBAI**  
**DATED : 31.07.2010**



## **SCHEDULE - 'Q' PART-B**

### **NOTES TO ACCOUNTS**

1. In the opinion of Board of Directors, current assets, loans & advances, have value on realization in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities has been made in the accounts.
2. The entire equity share of the Company is held by Mahanagar Telephone Nigam Ltd, the holding company & its nominees.
3. Contingent liabilities include
  - I) Guarantee given by Banks of Rs. 2.00 crores &
  - II) As Regards Income Tax of Rs.59,83,525/- pertaining to Assessment Year 2003-2004, Rs.34,96,764/- pertaining to Assessment Year 2004-2005, Rs.29,82,670/- pertaining to Assessment Year 2005-2006 and Rs.6,34,050/- pertaining to Assessment Year 2007-2008 as per the Demand notice received from Income Tax Department. The company has filed an appeal against the Assessment Order and the appeal is pending against Commissioner of Income Tax. The company has paid the above amount under protest, hence there is no dues of Income Tax.
  - III) As Regards of Sub Marine Cable Project, Payment to Consulting Firm M/s Axiom is pending up to Rs.4,39,00,000/- out of total contract price Rs. 5,20,00,000/- . Full Payment has been already made to M/s Data Wave limited in the financial year 2006-07.

4. Payment to Auditors include

	<u>Current year</u>	<u>Previous Year</u>
a) Audit Fees	Rs. 39,708/-	Rs. 36,000/-
b) Certification Fees	Rs. 31,987/-	Rs. 29,000/-

5. No confirmation has been received from Sundry Debtors/sundry creditors outstanding.
6. No payments to Creditors include payment to Small Scale Industries.
7. Unsecured Loans include amount due to holding company.
8. Related Party Disclosures as per AS 18:

- a) Name of the related party : MTNL
- b) Description of the relationship : Holding Company
- c) Description of the transaction : NIL
- d) Volume of the transactions in monetary terms : NIL
- e) Outstanding item pertaining to related parties as at the balance sheet date.



i)	Due from MTNL	
a)	Sundry Debtors	: Rs.1,36,37,395
b)	Other Current Assets	: Rs.1,74,213
ii)	Due to MTNL	: Rs. 20,53,497
iii)	Unsecured Loan from MTNL	: Rs.8,24,276

9. The Computation of Earnings per share

Net Profit/ (Loss) for the year including provision for taxation in Rs.	: Rs.11,64,647
Average number of equity shares	: 28,75,880
Basic & Diluted EPS in Rs.	: Rs.0.40

10. Previous years figures have been recast & regrouped wherever necessary.

11. The payments of Rs.1,13,21,000/- made for the purpose of submarine cable project is shown as deferred revenue expenses since the project is in progress and it has not been written off because the project has not started to earn any revenue.

12. Provisions in respect of licensed, installed capacity and other provisions in respect of quantitative details of goods manufactured / traded like opening stock, purchases, Turnover, closing stock do not apply as the company is rendering services only.

13. Details of receipts & remittance in Foreign Currency	Current Year	Previous Year
i) Expenditure in foreign currency	NIL	NIL
ii) C.I.F. value of Imports	NIL	NIL
iii) Remittances in Foreign Currency	NIL	NIL
iv) Earnings in Foreign Exchange	NIL	NIL

Sd/-  
**S.R.Sayal**  
Company Secretary

Sd/-  
**Peeyush Agrawal**  
Chief Operating Officer

Sd/-  
**Anita Soni**  
Director

Sd/-  
**Kuldeep Goyal**  
Chairman

**For M/s D. N. KUBAL & CO.**  
Chartered Accountants

Sd/-  
DEEPAK KUBAL  
Partner

**PLACE : MUMBAI**  
**DATED : 31.07.2010**





**Confidential**

No. Report-II/F-137/Ann. Acts/MTNL/2009-10

क्रमांक

No.

कार्यालय



**महानिदेशक लेखापरीक्षा, डाक व दूरसंचार,**

**शाम नाथ मार्ग, ( समीप पुराना सचिवालय ) दिल्ली-110402**

OFFICE OF THE

**Director General of Audit, Post & Telecommunications  
Sham Nath Marg, (Near Old Secretariat), Delhi- 110402**

**Dated 09 September, 2010**

**To,**

**The Chairman  
Millennium Telecom Limited,  
Mumbai**

**Subject : Comments of the Comptroller & Auditor General of India under  
Section 619 (4) of the Companies Act, 1956 on the accounts of  
MillenniumTelecom Limited for the year ended 31<sup>st</sup> March 2010.**

**Sir,**

I am to forward herewith 'Nil Comments' certificate under Section 619 (4) of the Companies Act, 1956 on the annual accounts of MillenniumTelecom Limited for the year ended 31<sup>st</sup> March, 2010 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/-

**(R.P. Singh)**

**Director General of Audit (P&T)**

**Encl (s): As above.**

**दूरभाष/ Telephone : 23812666, 23814533**

**तार/Telegram: CENOFF, DELI  
फैक्स/Fax : 91-011-23813822**



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**Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the accounts of Millennium Telecom Limited for the year ended 31 March 2010.**

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The preparation of financial statements of Millennium Telecom Limited for the year ended 31 March 2010 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 31 July 2010.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Millennium Telecom Limited for the year ended 31 March 2010. The supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplementary to Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

**For and on the behalf of the  
Comptroller and Auditor General of India**

Place: Delhi  
Date: 9th September 2010

Sd/-  
**(R.P. Singh)**  
**Director General of Audit (P&T)**



**MOORE STEPHENS**  
6th, Floor, Newton Tower  
Sir William Newton Street  
Port Louis, Mauritius  
Tel : (230) 211-6535, 211 0021, 211 7484,  
Fax : (230) 211 6964

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHANAGAR TELEPHONE (MAURITIUS) LTD**

This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not in, giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Report on the Financial Statements**

We have audited the financial statements of MAHANAGAR TELEPHONE (MAURITIUS) LTD, set out on pages 5 to 19, which comprise the balance sheet at 31 March 2010 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### **Directors' responsibility for the Financial Statements**

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **Auditors' responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment



of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements on pages 5 to 19 give a true and fair view of the financial position of the company at 31 March 2010 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

## **Report on Other Legal and Regulatory Requirements**

We have no relationship with or interests in the company other than in our capacities as auditors and tax advisers.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the company as far as it appears from our examination of those records.

**MOORE STEPHENS (MAURITIUS)**  
Chartered Certified Accountants

PORT LOUIS  
MAURITIUS

DATE : 06.08.2010



**MAHANAGAR TELEPHONE (MAURITIUS) LTD**  
**Statement of Financial Position**  
**As at 31st March 2010**

	Note	2010 MUR	2009 MUR
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property , plant and equipment	3	320,532,850	350,006,978
Equipment under construction		9,970,736	-
Deferred taxation	4	13,108,817	16,087,336
		<b>343,612,403</b>	<b>366,094,313</b>
<b>Current Assets</b>			
Trade and other receivables	5	195,928,148	164,026,255
Cash and bank balances	6	30,085,773	21,585,109
		<b>226,013,920</b>	<b>185,611,364</b>
<b>TOTAL ASSETS</b>		<b>569,626,323</b>	<b>551,705,677</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Capital and Reserves</b>			
Stated capital	7	572,264,029	567,235,852
Accumulated losses	8	(88,971,972)	(92,492,391)
Shareholders' interests		483,292,057	474,743,461
<b>Current Liabilities</b>			
Trade and other payables	9	86,334,266	73,694,128
Bank overdraft	6	-	3,268,089
		<b>86,334,266</b>	<b>76,962,217</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>569,626,323</b>	<b>551,705,678</b>

Approved by the Board of Directors on 06.08.2010

Director

Director

*The notes on pages 8 to 19 form part of these financial statements.*



**MAHANAGAR TELEPHONE (MAURITIUS) LTD**  
**Statement of Comprehensive Income**  
**As at 31st March 2010**

	Note	2010 MUR	2009 MUR
Turnover	2	258,456,041	170,083,288
Cost of sales (Appendix I)		(105,262,220)	(82,126,197)
Gross profit		153,193,821	87,957,091
Personnel expenses		(9,552,645)	(11,220,112)
Licence fee		(21,352,008)	(21,336,008)
Reversal of ICTA Special account fee		-	14,356,443
Administrative expenses (Appendix IV)		(64,708,793)	(47,783,002)
Marketing expenses (Appendix V)		(12,100,258)	(10,999,061)
Depreciation		(43,650,855)	(42,578,834)
Profit / (loss) from operations	10	1,829,262	(31,603,483)
Other income	11	355,125	21,000
Net finance expense	12	4,314,550	(9,855,639)
<b>Profit /(loss) before taxation</b>		<b>6,498,937</b>	<b>(41,438,122)</b>
Taxation	4	(2,978,519)	6,622,760
<b>Profit /(loss) after taxation</b>		<b>3,520,419</b>	<b>(34,815,362)</b>
<b>Earnings / (Loss) per share</b>	13	<b>0.01</b>	<b>(0.06)</b>

*The notes on pages 8 to 19 form part of these financial statements.*



**MAHANAGAR TELEPHONE (MAURITIUS) LTD**  
**Statement of Changes in Equity**  
**For the year ended 31st March 2010**

	Stated Capital MUR	Accumulated (Rupees) MUR	Total MUR
<b>Balance at 01 April 2008</b>	494,187,544	(57,677,029)	436,510,515
Issue of share capital	73,048,308	-	73,048,308
Total comprehensive loss for the year	-	(34,815,362)	(34,815,362)
<b>Balance at 31 March 2009</b>	567,235,852	(92,492,391)	474,743,461
Issue of share capital	5,028,177	-	5,028,177
Total comprehensive Income for the year	-	3,520,419	3,520,419
<b>Balance at 31 March 2010</b>	572,264,029	(88,971,972)	483,292,057

*The notes on pages 8 to 19 form part of these financial statements.*



**MAHANAGAR TELEPHONE (MAURITIUS) LTD**  
**Cash flow statement**  
**For the year ended 31st March 2010**

	Note	2010 MUR	2009 MUR
<b>Cash flow from operating activities</b>			
<b>Profit / (loss) before taxation</b>		6,498,937	(41,438,122)
<b>Adjustments for:-</b>			
Depreciation		43,650,855	42,578,834
Interest received		(2,073,574)	(2,100,254)
<b>Operating profit / (loss) before working capital changes</b>		48,076,218	(959,542)
Increase in trade and other receivables		(31,901,893)	(43,535,026)
(Increase) in trade and other payables		12,640,138	(42,202,026)
<b>Cash absorbed into operations</b>		28,814,463	(86,696,594)
Interest received		2,073,574	2,100,254
<b>Net cash inflows / (outflows) from operating activities</b>		30,888,038	(84,596,340)
<b>Cash from Investing activities</b>			
Proceeds from disposal of property, plant and equipment		16,536,935	-
Equipment under construction		(9,970,736)	
Purchase of property, plant and equipment		(30,713,662)	(13,039,021)
		6,740,575	(97,635,361)
<b>Cash flows from financing activities</b>			
Issue of share capital		5,028,177	73,048,308
<b>Net increase/ (decrease) in cash and cash equivalents</b>		11,768,753	(24,587,053)
<b>Movements in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the year		18,317,020	42,904,073
Cash and cash equivalents at the end of the year	6	30,085,773	18,317,020
<b>Net increase/ (decrease) in cash and cash equivalents</b>		11,768,753	(24,587,053)

*The notes on pages 8 to 19 form an integral part of these financial statements.*





# MAHANAGAR TELEPHONE (MAURITIUS) LTD.

## Notes to the financial statements for the year ended 31st March 2010

### 1. INCORPORATION

**Mahanagar Telephone (Mauritius) Ltd** is a private limited Company incorporated in Mauritius on 14 November 2003. The address of the registered office is MTML Tower, 30 Dr Eugene Laurent Street, Port Louis. The main activity of the Company is to provide telecommunication services.

### 2. ACCOUNTING POLICIES

The principal accounting policies adopted by the company are as follows:-

#### (a) Basis of preparation

##### *Statement of compliance*

The financial statements have been prepared in accordance with International Financial Reporting Standards.

##### *Basis of measurement*

The financial statements have been prepared on a historical cost basis.

##### *Functional and presentation currency*

The financial statements are presented in Mauritian rupee (Rs) which is the Company's functional currency.

##### *Use of estimates and judgement*

The financial statements are prepared in accordance with International Financial Reporting Standards that require the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

#### (b) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

#### (c) Revenue recognition

Revenue relates to telephone services, data communication services, phone cards and other corollary services.



Revenue is recognised on an accrual basis and is net of discount. International revenue is derived from outgoing calls from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the Company's network.

The Company pays a proportion of the international traffic revenue it collects from its customers to transit and destination network operators. These revenues and costs are stated gross in the financial statements. Amount payable and receivable from the same foreign network operators are shown net in the balance sheet where a right of set off exists.

**(d) Taxation**

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(e) Cash and cash equivalents**

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**(f) Finance income and expense**

Finance income comprises interest income and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprises interest expense and foreign exchange losses. Interest expense is recognised in the income statement as it accrues using the effective interest method.

**(g) Financial instruments and associated risks**

*Fair Value*

The carrying amounts of the Company's financial assets and liabilities approximate their fair values.

*Associated risks*

The Company's activities expose it to various types of risk in the normal course of its business. The following summary is not intended to be comprehensive summary of all risks.



- *Credit risk*

At balance sheet date there was not significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

- *Currency risk*

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than Mauritian rupee.

- *Interest rate risk*

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest earning financial asset is cash at bank. Interest income may fluctuate in amount, in particular due to changes in interest rates.

**(h) Provisions**

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

**(i) Related parties**

For the purpose of these financial statements, parties are considered to be related to the company if they have the ability, directly or indirectly, to control the company or exercise significant influence over the company in making financial and operating decisions, or vice versa, or where the company is subject to common control or common significant influence. Related parties may be individuals or other entities.

**(j) Property, plant and equipment**

*Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.



### *Subsequent costs*

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the branch and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in income statement as incurred.

### *Depreciation*

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Additions during the year bear a due proportion of the annual depreciation charge.

The annual depreciation rates used for the purpose are as follows:

Computer equipment	- 16.21 %
Furniture, fixtures and fittings	- 6.33 %
Office equipment	- 4.75 %
Motor vehicles	- 10.00 %
Plant and equipment	- 10.00 %

Gains and losses on disposal of property, plant and equipment are determined by reference to their written down value and are included in determining operating profit.

## **(k) Financial instruments**

### *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdraft is



included as a component of cash and cash equivalents for the purpose of the cash flow statement.

*Other*

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment.

**(l) Foreign currencies**

Transactions in foreign currencies are translated to Mauritian rupee at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date and gains or losses on transaction are recognised in the income statement.

**(k) Impairment**

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement in the period in which the impairment is identified.

**3. PROPERTY, PLANT AND EQUIPMENT**

	Computer equipment	Furniture, fixtures	Office equipment	Motor vehicles	Plant and equipment	Total
Cost	MUR	MUR	MUR	MUR	MUR	MUR
At 01 April 2009	621,877	2,149,629	819,386	2,259,738	452,465,909	458,316,540
Additions	82,225	54,889	71,766		30,504,782	30,713,662
Disposal	-	-	-	-	(16,536,935)	(16,536,935)
<b>At 31 March 2010</b>	<b>704,102</b>	<b>2,204,518</b>	<b>891,152</b>	<b>2,259,738</b>	<b>466,433,756</b>	<b>472,493,267</b>
<b>DEPRECIATION</b>						
At 01 April 2009	285,727	235,718	77,191	765,678	106,945,248	108,309,562
Charge for the year	104,546	130,635	39,159	214,675	43,161,840	43,650,855
<b>At 31 March 2010</b>	<b>390,273</b>	<b>366,353</b>	<b>116,350</b>	<b>980,353</b>	<b>150,107,088</b>	<b>151,960,417</b>
<b>NET BOOK VALUE</b>						
<b>At 31 March 2010</b>	<b>313,829</b>	<b>1,838,165</b>	<b>774,802</b>	<b>1,279,385</b>	<b>316,326,668</b>	<b>320,532,850</b>
At 31 March 2009	336,150	1,913,911	742,195	1,494,060	345,520,661	350,006,978

#### 4. TAXATION

The Company is liable to income tax at the rate of 15 % (2009: 15%) on its profit as adjusted for tax purposes.

	2010 MUR	2009 MUR
Current tax charge	-	-
Deferred tax charge	2,978,519	(6,622,760)
Total tax expense in income statement	2,978,519	(6,622,760)

#### *Reconciliation of effective taxation*

Profit / (loss) before taxation	6,498,937	(41,438,122)
Income tax at 15%	974,841	(6,215,718)
Non-allowable expenses	16,567	1,107,356
Tax rate differential	1,987,111	(1,514,397)
	2,978,519	(6,622,760)

#### *Deferred tax assets*

At 01 April 2009	16,087,336	9,464,576
Movement during the year	(2,978,519)	6,622,760
At 31 March 2010	13,108,817	16,087,336

#### *Deferred tax assets are analysed as follows:*

Accelerated capital allowances	(35,428,001)	(28,931,079)
Tax losses	46,703,042	43,920,135
Provision for bad debts	1,833,776	1,098,280
	13,108,817	16,087,336

#### 5. TRADE AND OTHER RECEIVABLES

Trade receivables	133,306,750	117,079,603
Other receivables and prepayments	62,621,398	46,946,652
	195,928,148	164,026,255



## 6. CASH AND BANK BALANCES

	2010 MUR	2009 MUR
Cash in hand and at bank	133,306,750	21,585,109
Bank overdraft	62,621,398	(3,268,089)
Cash and cash equivalents in the cash flow statement	195,928,148	18,317,020

## 7. STATED CAPITAL

Ordinary shares of no par value	572,264,029	567,235,852
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## 8. ACCUMULATED LOSSES

At 01 April 2009	(92,492,391)	(57,677,029)
Profit / (loss) for the year	3,520,419	(34,815,362)
At 31 March 2010	(88,971,972)	(92,492,391)

## 9. TRADE AND OTHER PAYABLES

Trade payables	31,422,019	35,280,589
Other payables	54,912,247	38,413,539
	86,334,266	73,694,128

## 10. PROFIT / (LOSS) FROM OPERATIONS

Profit / (loss) from operations is arrived at after charging the following items:-

Staff Costs	9,552,645	11,220,112
Depreciation on property, plant and equipment	43,650,855	42,578,834
Directors' emoluments	5,000	10,000
Auditors' remuneration	90,000	90,000
Number of employees at end of the year	16	16

## 11. OTHER INCOME

Other Income	355,125	21,000
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## 12. NET FINANCE EXPENSES

	2010 MUR	2009 MUR
Interest income	2,073,574	2,100,254
Foreign exchange gain	2,706,588	-
Finance income	4,780,163	2,100,254
Interest expense	-	-
Foreign exchange losses	(465,613)	(11,955,893)
Finance expense	(465,613)	(11,955,893)
Net finance expense	4,314,550	(9,855,639)

## 13. EARNINGS / (LOSS) PER SHARE

The calculation of Earnings / (loss) per share is based on net Profit / (loss) for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 March 2010.

## 14. RELATED PARTY TRANSACTIONS

The Company had the following transactions with related parties.

Directors fees	5,000	10,000
Remuneration and other short term benefits to key management personnel	2,983,735	2,864,928

All related party transactions are priced on commercial terms and conditions.

## 15. HOLDING COMPANY

The holding Company is Mahanagar Telephone Nigam Ltd, a Government of India Enterprise.





## 16. COMMITMENTS

### (a) Operations leases

#### *Leases as lessee*

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	BTS sites MUR	Buildings MUR	Total MUR
Within one year	4,716,055	3,263,192	7,979,247
Between one year and five years	23,580,275	11,098,368	34,678,643
Over five years	6,765,945	2,774,592	9,540,537
	<b>35,062,275</b>	<b>17,136,152</b>	<b>52,198,427</b>

### (b) Bank guarantee

There is a contingent liability not provided for in the accounts in respect of guarantees given to third parties amounting to Rs 7,931,909.

### (c) Capital commitments

Capital expenditure contracted and not provided for in the accounts amount to Rs 51,774,394.

## 17. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

The capital structure of the Company consists of stated capital and retained losses.

## 18. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

### (a) Market risk

#### (i) Foreign exchange risk

The Company has assets and liabilities denominated in foreign currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD and INR relative to the foreign currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in foreign currencies.



(i) *Foreign exchange risk*

	2010 MUR	2009 MUR
<b>Categories of financial instruments</b>		
<i>Financial assets</i>		
Trade and other receivables	195,928,148	164,026,255
Cash and cash equivalents	30,085,773	21,585,109
	<b>226,013,920</b>	185,611,364
<i>Financial liabilities</i>		
Trade and other payables	86,334,266	115,896,154

*Foreign currency risk management*

The company mainly transacts in Mauritian Rupees. The company did not engage in activities which would require foreign currency exposure hedging.

**Currency profile**

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	MUR	MUR	MUR	MUR
Mauritian rupee	226,013,920	86,334,266	185,611,364	76,962,217
	<b>226,013,920</b>	<b>86,334,266</b>	185,611,364	76,962,217

(ii) *Interest rate risk management*

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest earning financial asset is cash at bank. Interest income may fluctuate in amount, in particular due to changes in interest rates, however changes in interest rate will not have a material effect on interest income.

(iii) *Price risk*

The Company is not faced with any price risk.



(b) *Credit risk*

The Company has no significant concentration of credit risk.

(c) *Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its payment obligations, associated with its financial liabilities, when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash. In addition, the Company has access to its group companies for its financing needs.

(d) *Fair value estimation*

The carrying values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

## 19. POST BALANCE SHEET EVENT

There are no events subsequent to the date of the balance sheet which may have a material effect on the financial statement at 31 March 2010.

## 20. FINANCIAL SUMMARY

	<b>2010 MUR</b>	2009 MUR	2009 MUR	2007 MUR
Issued and Fully Paid Up				
Stated capital	<b>572,264,029</b>	567,235,852	494,187,544	391,821,713
Accumulated losses	<b>(88,971,972)</b>	(92,492,391)	(57,677,029)	(12,534,940)
Profit / (Loss) before taxation	<b>6,498,937</b>	(41,438,122)	8,457,603	(9,544,685)
Profit / (Loss) after taxation	<b>3,520,419</b>	(34,815,362)	977,238	(9,094,230)



**MAHANAGER TELEPHONE NIGAM LIMITED**  
Registered Office : Jeevan Bharti, Tower-I, 12th Floor,  
124, Connaught Circus, New Delhi-110 001

**PROXY**

**NAME** **FOLIO NO.** **NO. OF SHARES**  
DP- Id\* ..... Client Id\* .....  
I/We ..... of ..... in the district of .....  
being member (s) of Mahanagar Telephone Nigam Ltd. hereby appoint Shri/Smt .....  
of .....in the district of .....or failing him/her, Shri/Smt .....  
of in the district of .....a. as my/our proxy to attend and vote on my/our behalf at the  
24<sup>th</sup> Annual General Meeting of the Company to be held on 13<sup>th</sup> October, 2010 at 11.30 A.M. or any adjournment thereof.  
Date ..... Signature .....

**Note:**

1. The proxy need NOT be a member
2. The Form signed across the revenue stamp of requisite value should reach the Company's Registered Office at least 48 hours before the meeting.

\* Applicable in the case of shares held in electronic form.

**Please note that no gifts of any sort would be distributed at the AGM.**

**MAHANAGER TELEPHONE NIGAM LIMITED**  
Registered Office : Jeevan Bharti, Tower-I, 12th Floor,  
124, Connaught Circus, New Delhi-110 001

**ADMISSION SLIP**

**NAME** **FOLIO NO.** **NO. OF SHARES**  
DP- Id\* ..... Client Id\* .....

I hereby record my presence at the 24<sup>th</sup> Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at FICCI Golden Jubilee Auditorium Tansen Marg, New Delhi-110 001 on 13<sup>th</sup> October, 2010 At 11:30 A.M.

**NAME OF PROXY, IF APPLICABLE (IN BLOCK LETTERS)**

1. Members/proxies are requested to bring the duly signed Admission Slip to the meeting and hand it over at the Registration Counter.

\* Applicable in the case of shares held in electronic form.

**Please note that no gifts of any sort would be distributed at the AGM.**



**MTNL**

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