



Twenty Eighth Annual Report 2013-14

MAHANAGAR TELEPHONE NIGAM LIMITED
(A Nav Ratna Company)



VISION OF MAHANAGAR TELEPHONE NIGAM LIMITED

"To be leading intergrated player in telecom, diversifying into related business in order to expand significantly, keeping customer delight as the aim".

MISSION OF MAHANAGAR TELEPHONE NIGAM LIMITED

"Committed to remain market leader in providing world-class telecom and IT related services at an affordable prices and achieve international standards in all respects."



MTNL

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**BOARD OF DIRECTORS
(AS ON 01.09.2014)**

Shri P.K.Purwar	Chairman & Managing Director (CMD) & Director (Finance)
Shri Sunil Kumar	Director (HR)
Shri Sushil Kumar Shingal	Director
Shri V. Umashankar	Director

COMPANY SECRETARY

S.R. SAYAL

REGISTERED AND CORPORATE OFFICE

Mahanagar Doorsanchar Sadan

5th Floor, 9, CGO Complex,

Lodhi Road,

New Delhi - 110 003

Tel : 011-24319020, Fax : 011-24324243

CIN L32101DL1986GOI023501.

Website : www.mtnl.net.in / www.bol.net.in



STATUTORY AUDITORS

M/s. V. K. DHINGRA & CO.

Chartered Accountants

1-E/15, Jhandewalan Extension, New Delhi – 110055

Phone : 011- 23528511, 23638325, Fax : 011- 23549789

M/s Arun K Agarwal & Associates.

Chartered Accountants

105, South Ex Plaza -1, 389, Masjid Moth

South Ex Part - II, New Delhi - 110 024

Phone : 011 26251200, 26257400 Fax: 011-26251200

COST AUDITOR

M/s R.M.Bansal & Co.

Cost Accountants

74, State Bank Colony, G.T.Karnal Road, Delhi - 110033

BANKERS

State Bank of India, New Delhi/Mumbai

Indian Overseas Bank, New Delhi/Mumbai

Punjab National Bank, Delhi/Mumbai

ICICI Bank, New Delhi/Mumbai

Oriental Bank of Commerce, New Delhi

Central Bank of India, Mumbai/Delhi

Dena Bank, New Delhi/Mumbai

Bank of Baroda, New Delhi

Union Bank of India, New Delhi/Mumbai

United Bank of India, New Delhi

Indian Bank, New Delhi,

Axis Bank, New Delhi/Mumbai

Syndicate Bank, New Delhi

Corporation Bank, New Delhi

Allahabad Bank, New Delhi

IDBI Bank, New Delhi

State Bank of Hyderabad, New Delhi

Punjab & Sindh Bank, New Delhi

Yes Bank Limited, New Delhi



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@beetalfinancial.com, beetalrta@gmail.com Website: www.beetalfinancial.com

E-Voting Agency : Central Depository Services (India) Limited {CDSL}

E-mail ID: helpdesk.evoting@cdslindia.com

Scrutinizer : Shri Hemant Kumar Singh, Practising Company Secretaries (FCS 6033)

Investor Helpdesk

Ph: 011-24317225, Fax: 011-24316655

E-mail: mtnligrc@bol.net.in, mtnlcsc@gmail.com

<p>28th Annual General Meeting on Tuesday 30th September, 2014 at 11:30 AM. at Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003</p>
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The Annual Report can also be accessed at www.mtnl.net.in and website of Stock Exchanges.



DIRECTOR'S REPORT

To

The Shareholders,
of **Mahanagar Telephone Nigam Limited**,

Dear Shareholders,

Your Directors present the 28th Annual Report of your Company together with the Statement of Accounts and Auditors' Report as well as comments of Comptroller & Auditor General of India on the Accounts for the financial year ended on March 31, 2014.

PERFORMANCE REVIEW OF MTNL FOR THE FY 2013-14

MTNL is giving major thrust on the expansion of capacity for GSM and Broadband to cater the further demand. Actions are being taken to generate fresh demands by providing quality services, customer care & satisfaction, introduction of new services / schemes and innovative marketing strategies. Company has initiated the following upgradation / capacity building projects-

GSM / 3G services-

The present HSDPA enabled 3G network supporting download speeds up to 3.6 Mbps and uploads speed upto 384 Kbps is being upgraded to HSPA+ supporting download speed upto 21.1 Mbps and upload speed upto 5.76 Mbps. For meeting the enhanced Data carrying requirement of 3G network, packet core capacity will be expanded to 10 Gbps and M/W backhaul will be augmented / expanded through deployment of 100 / 200 Mbps (upgradable to 400 Mbps) Hybrid M/W systems.

RF coverage will be improved by deploying additional BTSs / Node-Bs. Initially around 1080 Node-Bs & 800 BTSs in Delhi and 1080 Nods-Bs & 566 BTSs in Mumbai are proposed to be added. Afterwards, the number of BTSs & Node-Bs will added as per requirement in phases. To reduce Capex & Opex, majority of the proposed expansion will be done on shared sites.

Tenders for augmentation / expansion of GSM / 3G & MW backhaul are under various stages of finalization.

Fixed Line -

Replacement of TDM switches with NGN/ IMS platform : MTNL has planned to replace its TDM Fixed line switches which are becoming obsolete as their induction started around 20



years back with NGN / IMS technology in phased manner. Introduction of NGN / IMS based services will not only help MTNL in saving Opex, space but also enable us to offer all data / video centric services which are currently enjoyed by Mobile subscribers to our fixed line subscribers also ultimately leading to convergence of fixed and mobile services.

For this purpose, C-DOT was allowed to conduct a field trial of its IMS Complied NGN platform solution in MTNL's Network. An MOU in this regard was also signed with CDOT. Successful field trial of C-DOT's IMS complied NGN switches has already been completed and voice to MTNL's FTTH subscribers, certain FIN and centrex services are being provided through this switch. Further C-DOT has been given go-ahead for trial commercial migration of one existing TDM switch of 10-20K capacity each in Delhi and Mumbai. This initiative with C-DOT will help MTNL in migration of its life expired switches without bearing any significant CAPEX burden.

(i) Deployment of FTTH services

To meet the ever increasing demand for the bandwidth MTNL is aggressively laying and extending the reach of optical fiber in its network and is deploying GPON based FTTH network. It is a centrally managed network designed to provide reliable fiber routes to cover all possible destinations within MTNL. This will help in meeting the increased bandwidth requirement for both data and video applications. The company intends to create POP on fiber within a 1Km radius of the subscribe.

(ii) Creation of POPs on NGCN Network-

To meet the ever increasing bandwidth demand, higher level of customer satisfaction and providing wide range of services MTNL has planned to take fibre near to the subscriber and reduce the last mile copper loop length to 1-2 Kms during the 12th five year plan period. This will be achieved by creating additional 400-500 PoPs (through which data, voice, enterprise and other services will be provided to the subscribers) on the state of art NGCN (IP/ MPLS) Network which is currently having 45 and 56 POP locations in Delhi and Mumbai respectively.

FINANCIAL RESULTS FOR THE YEAR 2013-14

Sources and Application of funds for the year 2013-14 are given below:-

	(In Million ₹)	
	2013-14	2012-13
Income from Operations	33917.35	34286.63
Expenditure (excluding Interest & prior period Adjustments)	54802.60	78355.62



Operating Profit /(Loss)	(20885.25)	(44068.99)
Other Income	3956.37	2854.20
Interest	13901.48	11802.60
Profit/(Loss) before Tax	(30830.37)	(53017.40)
Exceptional Items	116209.31	0.00
Tax Provision for the Year	4971.79	0.00
Prior Period Adjustments	2155.84	193.84
Net Profit / (Loss) for the Year	78251.31	(53211.23)

Appropriation

Interim/Proposed Final dividend	0.00	0.00
Dividend Tax	0.00	0.00

Transfer to/(from):

a) Contingency Reserve	0.00	(491.29)
b) Debenture Redemption Reserve	452.71	0.00

SOURCES AND USES OF FUNDS

Authorised Capital	8000.00	8000.00
Issued, Subscribed & paid-up Capital	6300.00	6300.00
Reserves & Surplus	44107.06	(34144.25)
Secured and Unsecured Loan	141204.40	115386.87
Deferred Tax Liability (Net)	0.00	0.00

REPRESENTED BY

Fixed Assets (Net Block)	112209.50	148991.83
Investment (Net)	2019.79	2219.79
Other Assets	156307.88	102953.39
Other liabilities	82751.39	175944.81
Capital Work-in-Progress	3825.69	9322.42

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

INFORMATION REGARDING ISSUE OF BONDS BY MTNL DURING THE FINANCIAL YEAR 2013-14.

MTNL has recently issued the Third series of Bonds to the tune of ₹ 765 crores on 26th March 2014 at the coupon rate of 9.39 % per annum payable semi annually. The first and second series of Bonds were earlier issued to the tune of ₹ 1005 crores on 28th March 2013 at the coupon rate of 8.57% per annum payable semi annually and ₹ 1975 crores on 05th December 2013 at the coupon rate of 9.38% per annum payable semi annually.



DIVIDEND

Since there has been no operating profit during the financial year 2013-14, the Board of Directors of your company expresses its inability to recommend any dividend for the year under report.

SUBSIDIARY AND JOINT VENTURE COMPANIES

Your company has two subsidiary and two Joint Ventures companies. The working of the same is as under:-

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

MTML is a 100% subsidiary of MTNL. The company is having license for mobile services, international long distance services and internet services. The customer base of MTML has grown to 191,262 from 141,699 of last year. The market share has crossed 15% in voice and more than 30% in ILD Sector. MTML has launched its 3 GSM Services in this fiscal year.

In the year 2013-14, it is planning to add more network elements to ensure good quality service, taking into account the capacity utilization.

MTML has achieved revenue of INR 761 Million during this fiscal year 2013-14 compare to the last fiscal year revenue of INR 522.35 Million. Despite the intense competition and market getting saturated, the company could increase its revenue. However, the net profit (before tax) has increased to INR 37.42 Million from INR 19.19 Million (before tax) in this fiscal year. MTML has completed the construction of its administrative building (Ground+7 Floors) and moved into its building from July-2014 from the rented premises.

All the expenses of the company are paid by its own internal resources and CAPEX for procurement of equipments is also met. There is no debt liability on the company.

The company is managed by CEO, CTO, CFO and 10 more officers all on deputation from the parent company. Other operations are managed through outsourcing.

(ii) Millennium Telecom Ltd. (MTL)

MTL was formed by MTNL as its wholly owned subsidiary company basically for providing internet and other value added services in the year 2000. During the financial year 2013-14 the Board of MTL has proposed to enter into the new lines of business for increasing the revenue and making the Company profitable simultaneously. Some of the new work orders being undertaken by the company are as follows:

1. To start Bundled Services for MTNL products/services in which non-telecom components work will be executed by MTL .



2. To undertake the Data centers Leasing /Hiring of MTNL and other PSU telcos like. M/s BSNL, ITI, MSITS.
3. To undertake remote monitoring of customer network.
4. Association with MTML for various works relating to Disaster Management, Video Surveillance and other Government projects.

MTL also proposes to get ISO 9000 certification, SMSE Registration, Risk Analysis and PMT.

The Board of the company is working on the above line of business alongwith MTML and is hopeful to generate revenue in the years to come.

FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR 2013-14

MTL has suffered a Net loss of ₹16,97,258/- for the financial year ended 31st March, 2014 as against the Net Loss of ₹20,19,378 /- last year (2012-13). The company has earned other Income (Interest from Bank Fixed Deposit) amounting to ₹18,39,036/- in the financial year ended 31st March, 2014 as against ₹20,11,398/- last year.

(iii)United Telecommunications Ltd. (UTL)

The Joint Venture is working for providing telecom service in Nepal based on CDMA technology.

UTL has total voice customer base of more than 506,459 (As per NTA MIS report dated 14.03.2013) in number and total data customer base is more than 56,059. UTL has more than 118 personnel consisting of telecom engineers and finance professionals and other support staffs. Apart from this, more than 110 people are working through outsourcing agencies for Fault Repair Services, Customer Care and Marketing of phones, security and campaigns. The Management closely monitors the overall performance of the network, quality of services, subscriber complaints, fault rates, BTS wise traffic and ILD traffic.

The Company is sustaining its operational expenses from internal revenue generation.

During the period ending 31st March 2014, the company has reported a net loss of INR 267.95 million after Tax.

(iv) MTNL STPI IT SERVICES LTD (MSITS)

MTNL STPI IT SERVICES LTD is a 50:50 Joint Venture company between Mahanagar Telephone Nigam Limited (MTNL) and Software Technology Parks of India(STPI). The main objective of the company is to provide data center services, messaging services, business application services etc. MSITS has established the physical infrastructure of the Data Center at Chennai and space taken on lease basis from STPI Chennai. The Data Center has server farm area of around 3400 sqft and the total investment made in this regard is of ₹4.77 crores.



The commercial operation of the Data Center had commenced in 2009, the Ministry of External Affairs (MEA) has hosted its Passport Seva Project at MSITS Data Center through M/s TCS. The Data center is maintaining 99.98% uptime on 24X7. At present CEO and 2 officers on deputation from MTNL are on regular payrolls of the company and other operations are maintained through outsourcing. Total revenue of MSITS for the year 2013-14 is ₹3.88 crores while it was ₹3.60 crores during the year 2012-13.

In addition, MSITS is in the process of exploring avenues for business expansion with the collaboration of various business partners of the data center industry.

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2013-14 (AS ON 31ST MARCH, 2014)

Your Company has the following equipped and used capacity of Landline, GSM, WLL etc. as on 31st March, 2014:-

S. No	Parameters	Delhi	Mumbai	Total
1	Number of switches	327	236	563
2	Equipped Capacity*	-	-	-
	(a) Fixed Phones including WLL Fixed Phones	2,433,959	2,580,392	5,014,351
	(b) WLL	400,000	542,230	942,230
	(c) GSM	2,800,000	2,800,000	5,600,000
	DLC capacity*	160,152	118,046	278,198
	Digitalization % lines	100	100	200
3	DELS*	3,909,470	3,004,941	6,914,411
4	Details of Net DELs			
	(a) Fixed Line	1,601,739	1,940,336	3,542,075
	(b) WLL-Fixed	12,935	65,434	78,369
	(c) WLL-Mobile	23,158	25,720	48,878
	(d) GSM	2,271,638	973,451	3,245,089
5	Broadband			0
	(a) Subscribers	557,269	614,232	1,171,501
	(b) Capacity (in ports)	788,736	845,908	1,634,644
6	Internet connection			
	(a) Prepaid	412	6	418
	(b) Postpaid	0	879,359	879,359
7	Payphones	57,270	86,126	143,396



S. No	Parameters	Delhi	Mumbai	Total
8	ISDN	8,505	86,126	143,396
9	DLC (No)	425	523	948
10	Tax Capacity	150,000	115,200	265,200
11	Tandem Capacity	402,500	363,240	765,740
12	Optical fiber cable			
	(a) In Route KMs	8,563.37	7,944.19	16,507.56
	(b) In Fiber KMs	268,324.58	256,030.68	524,355.26
13	Leased Circuits	12,678	35,812	48,490
14	Replacement of PCUT Cable (in LKCM)	31.059	15.77	46.829

*including Landline/WLL fixed, WLL Mobile & GSM

HUMAN RESOURCE DEVELOPMENT

Your Company attaches the highest priority to the quality of intellectual capital at its disposal and believes that knowledge and skill of its employees are the key to achievements of its corporate mission. It has 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 a 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 managements' view on training is one of development of employee's overall personality and enabling them in becoming a vital productive resource.

TRAINING TARGETS AND ACHIEVEMENTS

The training target and achievements for the financial year 2013-14 is given below:-

UNIT	Number of Persons Trained Target	Achievement	Number of Man Days Target	Achievement
DELHI		2390	21060	7579
MUMBAI	7020	6050		35977
TOTAL	7020	8440	21060	43556



At present MTNL has its in house two state of the art training centres one located in New Delhi and other at Mumbai.

(I) THE INSTITUTE OF TELECOM, TECHNOLOGY & MANAGEMENT (ITTM), NEW DELHI

The Institute of Telecom, Technology & Management, ITTM Shadipur, New Delhi is a state of the art training centre of MTNL, Delhi engaged in imparting induction training and short duration training to its officers and employees in the field of Telecom, IT, Computer system and Management. With impressive growth of Telecom sector in India, the requirement of telecom trained personnel is growing day by day. Realizing this ever growing demand for telecom personnel, ITTM started training engineering students also as part of their summer training. During the year 2013-14, ITTM has successfully trained 1266 Executives with an achievement of 5116 Man days and 1124 Non Executives with an achievement of 2463 Man days. Industrial Training were also successfully provided to 1002 Trainees with an achievement of 35877 Man days.

Revenue earned at ITTM by providing industrial training to students for the Financial Year 2013-14 is ₹6737060 and revenue earned at ITTM from AAI Corporate for the Financial Year 2013-14 is ₹540000.

ITTM has the necessary infrastructure, technical and academic competence and excellence for providing training in specialized courses in the field of GSM, Broadband Technology, Switching, Transmission, External Plant, IT, Computer System & Management.

(II) CENTRE FOR EXCELLENCE IN TELECOM TECHNOLOGY & MANAGEMENT (CETTM), MUMBAI

The Centre for Excellence in Telecom Technology & Management (CETTM), at Powai, Mumbai is state of art training centre of MTNL imparting technical and management training to both in-service officers & staff and to external candidates. CETTM provides training in field of Telecom, Information & Computer Technology and Management. CETTM also leases training infrastructure to corporate sector for their training requirements. CETTM is empanelled with Ministry of External Affairs and conducts Telecom and management training under ITEC/SCAPP program, sponsored by MEA, Govt. of India. CETTM has successfully completed 16 programs in FY-13-14 and trained 212 participants from different countries. Apart from the above, CETTM has successfully trained 5613 in-service personnel with an achievement of 32894 Trainee days. Moreover, there were a total of 348 Programs conducted altogether. The competition in the field of training is increasing tremendously with each passing day. Despite of the fierce competition, CETTM has earned revenue of Rs 13.11 Cr during the financial year 2013-14 with clientele from various sectors like Telecom, BPO, Banking, Finance, Oil, Pharma, IT etc. Keeping to its tradition,



CETTM has also added more than 38 new clients to its already existing long clientele. CETTM also participates in industry-academic interaction and conducts short term courses for students. 27 batches were conducted to train the students of Engineering Colleges. 402 Students were trained under Corporate Social Responsibility (CSR), while 92 students took part in one/two months Project Training works. 1870 number of Engineering College Students took part in “Industrial Visit Programme” during 2013-14. CETTM also conducted 4 new customized courses for corporate which included 102 participants. 18 senior officers from the Security Wing from Cabinet Secretariat have been trained in various Technologies of Telecommunication. CETTM has tied up with Welinkar Institute of management Development & Research for providing PostGraduate Program on Telecom Management. 29 students passed out in the first batch and the second batch with 17 Students is on and will be completing by June-2014. The efforts and the results, reiterate our commitment to the growth in terms of business, quality and customer satisfaction; and the customers have always rewarded our good work by giving us the repeated business.

INDUSTRIAL RELATIONS

Industrial peace and Industrial harmony is based on healthy Employee Relations and like the previous year, Employees Relations remained Cordial throughout the year. The Grievances/ Issues raised by the employees/Union/Associations were 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.

A further step towards Workers Participation in critical issues concerning business endeavors and employees, a meeting was convened to share the views of recognized Unions on the various aspects of our business endeavors and issues concerning employees including pension issue.

EMPLOYEES' WELFARE

Employees Welfare Schemes like subsidized Canteen, Creches, Medical facilities, 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 Govt 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 endeavoured to fulfill all the statutory requirements with regard to implementation of reservation policy for candidates belonging to SC/ST/OBC communities 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 Committees at Delhi/Mumbai. Child Care leave has also been approved by MTNL Board on 30/05/2014.

IMPLEMENTATION OF CSR AND SUSTAINABILITY ACTIVITIES/ PROJECTS IN MTNL.

A Board level CSR Committee has been constituted on 21.11.2013 as per DPE Guidelines which will oversee and coordinate the implementation of CSR and sustainability activities/ projects in MTNL. Presently, the Committee consists of the following:

1. Shri P.K. Purwar, CMD and Dir (Fin) – Head of the committee
2. Shri Sunil Kumar, Dir(HR), Member
3. Shri Sushil Kumar Shingal, Independent Director, Member
4. Shri S.R.Sayal, Secretary to the committee

CSR Policy has been approved by the Board of Directors of MTNL in its meeting held on 7th July, 2014, and the same has been posted on the website of the company.

No meeting of the Board level CSR Committee was held during Financial Year 2013-14.

MANPOWER STATUS

As on 31st March, 2014 your company had strength of employees as per details given below:-



MTNL Employees Working Strength as on 31.03.2014.

Group	Total Working	SC	ST
A	951	137	59
B	4124	520	71
C	21709	2769	391
D	9721	2216	769
Total	36505	5633	1290
TSM	18	-	-
Grand Total	36523	5633	1290

VIGILANCE

The Vigilance organization of MTNL is headed by Chief Vigilance Officer. He is an officer of the rank of Joint Secretary, Govt. of India. Presently Shri Khushi Ram, IRSEE, is the CVO of MTNL. The CVO is responsible for complete vigilance administration.

During the year 2013-14, emphasis was laid on preventive vigilance and to enhance the awareness of transparency and accountability in working by carrying out various field inspections. System improvement advice were issued by Vigilance Unit for reconciliation of Sanchaar Haats products, store verification, optimum electrical load in various buildings, proper maintenance of broadband faults, BTS sites etc. CTE type inspections were also carried out as per CVC guidelines.

Further, training programmes/seminars on vigilance/complaints handling and disciplinary proceedings have been conducted during the period for the employees to make the participants understand the conduct rules of MTNL, procedure for handling departmental proceedings and improve their working efficiency.

As per CVC instructions, the Vigilance Awareness Week was observed from 28th October to 2nd November 2013. During this week, various activities like pledge taking, release of three booklets on (i) "Promoting Good Governance – Positive contribution of vigilance" containing various circulars and initiative of CVC in promoting good governance (ii) Book containing "DO's and DON'T and service provided by MTNL, and (iii) book on Vigilance and discipline containing E- tendering and E- procurement etc were distributed. Also quotations on anti-corruption and lectures, seminar and workshop organized. Further an interactive programme was also organized



wherein Ex Special Director, CBI addressed senior officers to bring more accountability and transparency in working.

Monthly vigilance/disciplinary meetings were held regularly at Delhi & Mumbai with concerned GM (Vigilance) team to review the status of the cases and expedite the same. Meeting with ED & CGM (Delhi / Mumbai / Wireless Services) were also held to apprise them of the observations made during field inspections and different types of operational complaints received by Vigilance Unit. During these meetings, CVO emphasized for further improvement in customer services offered by MTNL by taking prompt action on customer's complaint and having customer-centric approach at all levels to enhance the credibility and brand image of the company in the minds of the customers.

INTEGRITY PACT PROGRAMME WITH TRANSPARENCY INTERNATIONAL INDIA

MTNL has signed a Memorandum of Understanding (MOU) with Transparency International India (TII) for implementing an Integrity Pact Programme (IPP) focussed on enhancing transparency in its business transactions, contracts and procurement process. Under this MOU, MTNL is committed to implementing the Integrity Pact in all its major procurement and work contract activities. Three Independent External Monitors being persons of eminence nominated by MTNL in consultation with Central Vigilance Commission (CVC), monitor the activities. The Integrity Pact has strengthened the established system and procedures by creating trust in various Stakeholders.

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 & EXPENDITURE

Information with regard to foreign exchange earnings and outgo in the Financial Year 2013-14 are as follows:-

Activities relating to Export and total Foreign Exchange earned and used:-
(₹ In Million)

Foreign Exchange Earned	87.48
Expenditure in Foreign Currency	44.48



RISK MANAGEMENT POLICY

Risk Management Policy for the FY 2014-15 has been approved by your directors in its meeting held on 30.05.2014. Following major risk are faced by MTNL in the current competitive telecom scenario:-Market Risk, Policy and regulatory risk, Technology Risk/ Quality of Service Overstaffing Risk and Staff Costs and Manpower Risk. Details/Explanation of Risk factors are given in Management Discussion & Analysis Report for the FY 2014-15 attached in the Annual Report.

NUMBER OF MEETING OF THE BOARD IN THE FINANCIAL YEAR 2013-14

During the FY 2013-14, Eight meetings of Board of directors of your company were held. Details of Board meetings and attendance of directors in the Board meeting is given in the Corporate Governance Report attached with this Directors Report.

CORPORATE GOVERNANCE

Your Company follows the principles of effective Corporate Governance Practices. The Company has taken steps to comply with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. MTNL also comply with the Corporate Governance Guidelines enunciated by Department of Public Enterprises (DPE), Government of India for Central Public Sector Enterprises (CPSEs). Quarterly Compliance Reports are regularly sent to the Stock Exchange and the DPE. A Report on Corporate Governance has been appended under separate section titled 'Corporate Governance Report' and the same forms a part of the Annual Report.

COMPLIANCE CERTIFICATE

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

COMPLIANCE OF DPE GUIDELINES & POLICIES

The Guidelines & Policies issued by the Department of Public Enterprises (DPE) from time to time are being complied with and implemented with the approval of the Board of Directors/ Competent Authority.

IMPLEMENTATION ON CIRCULAR ISSUED BY MINISTRY OF CORPORATE AFFAIRS ON "GREEN INITIATIVES IN CORPORATE GOVERNANCE"

Your company will send Annual Report for the year 2013-14 by email to all the shareholders who are having valid email id account. Further your company request shareholders holding shares in electronic mode to keep their email addresses updated or provide their email addresses



if not earlier provided to their DPs. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company or directly to the Company by quoting their folio number(s).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act 1956 & Section 134(5) of the Companies Act, 2013, the Directors to the best of their knowledge and belief confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had 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;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 & Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis and
- (e) the directors, in the case of a listed Company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating efficiently.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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 revised provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules, 1975.

ADDENDUM TO DIRECTORS' REPORT

The replies to the points raised in the Auditors' Report and Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 & Section 143(5) of the Companies Act, 2013, on the Accounts of your company and the replies thereon of the Management are given in the addendum to the Directors' Report.



DIRECTORS & KEY MANAGERIAL PERSONNEL

During the year under report, the Board of Directors of your Company met frequently. In the Financial Year 2013-14, 8 (eight) no. of Board Meetings were held. Details of Board Meetings are given in Corporate Governance Report. 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.

Shri P.K Purwar continued to be the Director (Fin) of the Company and was given the additional charge of CMD, w.e.f. 24.06.2014, Shri Sunil Kumar continued to be the Director (HR) of the Company, Shri Sushil Kumar Shingal continued to be the Independent Director and and V. Umashankar continued to be the Government Director respectively.

During the period under report, the following changes took place in the Directorship/Key Managerial Personnel of your Company:-

1. Shri A.K.Garg has ceased to be the CMD) w.e.f 31/05/2014.
2. Shri P.K.Purwar, Dir(Fin), was given additional charge of CMD, w.e.f. 24.06.2014.
3. Shri K.S. Bariar, has ceased to be the director of the company w.e.f. 26.08.2014 pursuant to the DoT letter No. F. No. 5-2/2013-PSA dt. 26/08/2014 and Shri Srikant Panda has been nominated as a director in his place.

The Key Managerial Personnel of your Company as on 1st September, 2014 are:-

- i) Shri P.K. Purwar, CMD & Dir(Fin)
- ii) Shri Sunil Kumar, Dir(HR)
- iii) Shri S.R. Sayal, Company Secretary.

AUDITORS

- (1) M/s. V.K. Dhingra & Co., Chartered Accountants and M/s Arun K. Agarwal & Associate, Chartered Accountants have been appointed as Joint Statutory Auditors of your Company by the Comptroller and Auditor General of India for the year 2013-14 and the Board has already ratified their appointment.
- (2) M/s R.M.Bansal & Co., Cost Accountants have been appointed as Cost Auditors of your company for carrying out audit under Section 233B(1) of Companies Act, 1956 and Section 148 of the Companies Act, 2013, for the records maintained under section 209(1)(d) of Companies Act, 1956 and as notified under: (i) Cost Accounting Records



(Telecommunications) Rules, 2002 & (ii) Cost Audit Rules, 2001. The Cost Audit Report along with the annexures for the year 2012-13 have been submitted to the Central Government in the Form I-XBRL format on MCA portal on 27/09/2013.

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. The Directors are hopeful that the hardwork and sincere efforts and dedicated services of the employees at all levels, MTNL shall maintain its position as one of the leading telecom service provider.

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

sd/-

(Shri P.K. Purwar)

**CHAIRMAN AND MANAGING DIRECTOR
& DIRECTOR (FINANCE)**

PLACE : NEW DELHI

DATE : 14th August, 2014



CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2013-14 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 Stakeholder's obligation in a manner that is guided by Transparency, Accountability and Integrity.

2. BOARD OF DIRECTORS

The Company has a broad based Board with an optimum mix of Executive and Non-Executive Directors. The Board consists of twelve Directors which include four Functional Directors, two Govt. Nominee and six Independent Directors. Presently the Board has two Executive (Functional) and three Non-Executive Directors out of which two Non Executive Directors, are nominees of Government of India. MTNL reimburses to the Independent Directors an amount of ₹10,000 only towards sitting fees for attending each meeting of the Board or any Committee thereof. Govt. Directors are not entitled for any remuneration in form of sitting fees, etc.

The Board functions either as a Full Board or through various Board Level Committees constituted to oversee specific operational areas. The Board has constituted seven committees, namely Audit Committee, Business Development Committee, Stakeholders Relationship Committee, HR Committee, Finance Committee, Nomination & Remuneration Committee and CSR Committee. These Board Committees mainly consist of Independent/Non-Executive Directors.

THE LIST OF PRESENT DIRECTORS (AS ON 01.09.2014) ALONG WITH THEIR CATEGORY AND THEIR DIRECTORSHIP IN OTHER COMPANIES/MEMBERSHIP IN OTHER COMMITTEES IS GIVEN AS UNDER:



NAME	CATEGORY/ DISIGNATION	DIRECTORSHIP IN OTHER COMPANIES	MEMBERSHIP IN OTHER COMMITTEE
Shri. Pravin Kumar Purwar	CMD & Director (Fin)	MSITS - Director MTML - Director	(i) Chairman-CSR Committee (ii) Permanent Invitee - Audit Committee and Nomination & Remuneration Committee, (iii) Member- Stakeholders Relationship Committee.
Shri Sunil Kumar	Director (HR)	MSITS-Director MTL-Chairman & Director	(i) Permanent invitee- Nomination & Remuneration Committee. (ii) Member - CSR Committee, Stakeholders Relationship Committee & Audit Committee.
Sh. Sushil Kumar Shingal	Independent Director	_____	(i) Chairman – Audit Committee, Stakeholders Relationship Committee and Nomination & Remuneration Committee. (ii) Member – CSR Committee
Shri V. Umashankar	Government Nominee Director	BBNL- Director	Member- Audit Committee and Nomination & Remuneration Committee.
Shri Srikant Panda	Government Nominee Director	_____	Nominated by DoT vide letter dt. 26/08/2014



2.1 ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS DURING FINANCIAL YEAR 2013-14 AND IN THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings as per the provisions of the Companies Act, 1956 and Companies Act, 2013. The detailed agenda along with the explanatory notes are circulated in advance to all the Directors. The Directors can suggest inclusion of any item(s) in the agenda at the Board meeting. During the year 2013-14, a total of **8 meetings** were held (from 01/04/2013 to 31/03/2014) 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 30th September, 2013	Remarks
Shri. A.K. Garg	8/8	100%	Yes	Ceased to be CMD on 31.5.2014
Shri P.K. Purwar	6/6	100%	Yes	Appointed as Dir.(Fin.)on 01.06.2013 and additional charge of CMD given w.e.f 24/06/2014
Shri Sunil Kumar	6/6	100%	Yes	Appointed as Dir. (HR) on 21.06.2013
Shri V. Umashankar	6/8	75%	No	-
Shri Kumar Sanjay Bariar	4/8	50%	No	Ceased to be Dir on 26.08.2014
Shri Sushil Kumar Shingal	6/8	75%	No	-
Smt Anita Soni	2/2	100%	No	Ceased to be Dir (Fin) on 31.05.2013



2.2 DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2013-14 (01/04/2013 to 31/03/2014)

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	288	12.04.2013	New Delhi	3/5
2	289	30.05.2013	New Delhi	3/5
3	290	11.07.2013	New Delhi	5/6
4	291	13.08.2013	New Delhi	6/6
5	292	20.09.2013	New Delhi	4/6
6	293	13.11.2013	New Delhi	6/6
7	294	20.12.2013	New Delhi	5/6
8	295	14.02.2014	New Delhi	6/6

2.3 DETAILS OF MEMBERSHIP/CHAIRMANSHIP OF BOARD COMMITTEES

None of the Directors of the Company hold memberships in more than ten Committees. No Director is Chairman of more than five Committees of Boards of all the Companies where he holds Directorship. For this purpose Committees comprise Audit Committee and Stakeholders Relationship 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 a Comprehensive Code applicable to all the 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 vide Certificate dated **31.05.2014** that the said code has been complied with by all the Board Members and Senior Management Personnel and the same is reproduced hereunder:—

“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 2013-14”.

Sd/-

(A.K. Garg)

Ex Chairman & Managing Director
(Rtd. w.e.f 31.05.2014.)

PLACE: New Delhi

DATE: 31.05.2014

3. AUDIT COMMITTEE

The role and responsibilities of the Audit Committee in accordance with the provisions of the Companies Act 2013 read with Clause 49 of the Listing Agreement, which among others includes:-

- Reviewing the Company's Financial Reporting Processes and Systems.
- Review and monitor the Auditor's independence and performance, and effectiveness of Audit process,
- Recommending the Appointment and Removal of Statutory Auditors, taking decisions regarding audit fees and related expenses.
- Reviewing the Company's Financial and Risk Management Policies.
- Approval or any Subsequent Modification of Transactions of the Company with related parties,
- Scrutiny of inter-corporate loans and investments,
- Valuation of undertakings or assets of the Company, wherever it is necessary,

- Review and Examination of Quarterly, Annual Financial Statements and Auditors' Report with management, before submission to the Board, focusing primarily on:
 - ♦ Changes in accounting policies and practices;
 - ♦ Internal Audit processes and systems.
 - ♦ Internal Financial Controls and Risk Management Systems.
- Monitoring the end use of funds raised through public offers and related matters.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The Audit Committee was reconstituted on 7th July, 2014. Presently, the Audit Committee consists of the following Members:-

- | | | | |
|----|--|---|-------------------|
| 1. | Shri Sushil Kumar Shingal | - | Chairman |
| 2. | Shri. V. Umashankar | - | Member |
| 3. | Shri. Sunil Kumar | - | Member |
| 4. | Shri P.K. Purwar, CMD & Director (Finance) | - | Permanent Invitee |
| 5. | Shri. S.R. Sayal, Company Secretary | - | Secretary |

Shri K.S Bariar ceased to be member of Audit Committee w.e.f. 07/07/2014. Shri Sunil Kumar, Dir (HR) was appointed as a member of the Audit Committee w.e.f 07/07/2014.

3.1 Meetings and Attendance of Audit Committee during the Financial Year 2013-14:

The Audit Committee held 4 meetings during the Financial Year 2013-14.

The attendance of the Director /Members of the Audit Committee from 01/04/2013 to 31/03/2014 is given as under:-

S. No.	Name of Directors/Members	Attended	No. of meetings	Percentage (%)
1.	Shri Sushil Kumar Shingal, Chairman	4	4	100
2.	Shri. V. Umashankar, Member	2	4	50
3.	Shri K.S. Bariar , Member	4	4	100
4.	Shri P.K. Purwar, CMD & Director (Finance), Permanent Invitee	4	4	100



4. NOMINATION & REMUNERATION COMMITTEE:

A nomination & Remuneration Committee has been constituted on 3rd November, 2010 as per DPE Guidelines. The Nomination & Remuneration Committee was reconstituted on 7th July, 2014. Presently, the committee consists of the following members:-

- 1) Shri S.K.Singhal, Chairman
- 2) Shri V. Umashankar, Member
- 3) Shri Sunil Kumar, Dir (HR), as permanent invitee.
- 4) Shri P.K.Purwar, CMD & Dir (Fin), as permanent invitee.
- 5) Shri S.R.Sayal –Secretary

No meeting of the Remuneration Committee was held during the Financial Year 2013-2014.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to Clause 49 of the Listing Agreement, a Stakeholders Relationship 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 Shares/Securities' transfers. The Committee looks into redressing of shareholders complaints like non-receipt of Annual Report, 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 one meeting during the Financial Year 2013-14.

The attendance of said Meetings is as under:-

S. No.	Name of Directors	No. of meetings	Attended
1.	Shri Sushil Kumar Shingal, Chairman	1	1
2.	Shri K.S. Bariar	1	1
3.	Shri P.K. Purwar	1	1

The Nomenclature of Shareholders/Investors Grievance Committee now has changed to Stakeholders Relationship Committee and was reconstituted on 7th July, 2014. Presently, the Committee consists of the following:-



1.	Shri Sushil Kumar Shingal	Director	Chairman
2.	Shri Sunil Kumar	Director (HR)	Member
3.	Shri P.K. Purwar,	CMD & Director (Finance)	Member
4.	Shri S.R. Sayal	Company Secretary	Secretary

The Board of Directors has nominated Shri K.S. Bariar as member of the committee w.e.f. 20/03/2014. He ceased to be as a member w.e.f 07/07/2014. Further Shri Sunil Kumar was appointed as a member of the Committee w.e.f 07/07/2014.

E-mail address for investor grievances/complaints: mtnligr@bol.net.in/csco@bol.net.in

OTHER/ NON-MANDATORY COMMITTEE.

RISK MANAGEMENT COMMITTEE

MTNL has already constituted a Committee namely "RISK MANAGEMENT COMMITTEE OF MTNL" for devising risk management strategy and framework according to the policy and structure of the company and keeping in view the risk appetite and risk tolerance levels of the company.

The Risk Management Committee was reconstituted on 17th July, 2014. Presently, the Risk Management Committee consists of the following Senior Members:-

1.	Shri. S.R. Sayal,	Company Secretary	-	Chairman
2.	Shri. Pankaj Yadav,	GM (Finance)	-	Member
3.	Shri. Vandana Gupta,	GM (RA)	-	Member
4.	Shri. S.K. Gupta,	GM (Tech. & Plg.)	-	Member
5.	Shri. G.P. Sinha,	GM (EB & Mktg.)	-	Member
6.	Shri, D. Chanduka,	GM (HR)	-	Member
7.	Shri. Ashok Grover	GM (NB)	-	Member
8.	Shri. K.A. Sharma,	DGM (A/c)	-	Nodal Officer

6. DETAILS OF SHAREHOLDERS/INVESTORS' COMPLAINTS DURING THE FINANCIAL YEAR 2013-14 ARE GIVEN HEREUNDER:-

No. of Share holders' complaints Received during the Financial year 2013-14	No. of Shareholders complaints Solved during the Financial year 2013-14	No. of Shareholders complaints pending as on 31.03.2014
10	10	Nil



7. COMPANY SECRETARY & COMPLIANCE OFFICER

Name of the Company Secretary & Compliance Officer: **Shri S.R.Sayal**

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

8. LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETINGS WERE:

Nature of meeting	Date and Time	Venue
27th Annual General Meeting	30th September, 2013, 11:15 A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9, CGO Complex, Lodhi Road, New Delhi-110003
26th Annual General Meeting	28th September, 2012, 11.30A.M.	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9, CGO Complex, Lodhi Road, New Delhi-110003
25th Annual General Meeting	29th September, 2011, 11.30A.M.	NDMC Indoor Stadium, Talkatora Garden, New Delhi - 110 001

No special resolution was passed in the 25th and 27th AGMs respectively. However, Special Resolution was passed in the 26th AGM for delisting of MTNL's shares from Delhi, Calcutta & Madras Stock Exchanges respectively. No Special Resolution was passed through Postal Ballot during the Financial Year 2013-14. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a Special Resolution through Postal Ballot.

A Special Resolution was passed to raise the limit of Borrowings by MTNL from ₹ 9000 Crores to ₹ 15000 Crores in the 7th EGM of MTNL, which was held on 26th February, 2014 at 11:30AM at Auditorium Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003.

9. 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 penalties 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). The Company has complied all the major mandatory requirements and also adopted some of the non-mandatory requirements of Clause 49 of the Listing Agreement as well as DPE Guidelines as applicable.
- (iv). CEO/CFO Certification - Chairman/CMD and Director (Finance) of the company have given the CEO/CFO certification to the Board for the Financial Year 2013-14.

10. MEANS OF COMMUNICATION

- a) The quarterly and half yearly results were published in English and Hindi Newspapers.
- b) The Company's audited, un-audited & quarterly financial results and Press Releases are posted on the Company's website.
- c) Annual Report containing, interalia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors' Report and other important information is circulated to members and others entitled thereto. Management Discussion and Analysis (MD&A) Report forms part of the Annual Report and is displayed on the Company's website (www.mtnl.net.in) along with the Annual Report of the company.
- d) Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meetings.
- e) **NSE Electronic Application Processing System (NEAPS):** NEAPS is a web based application designed by NSE for corporates. All periodical compliance filings like Shareholding pattern, Corporate Governance Report, media releases, etc are filed electronically on NEAPS.
- f) **SEBI Complaints Redress System (SCORES):** The investor complaints are processed in a centralized web based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.
- (g) All Compliances are filled electronically in OTCQX through its website www.otciq.com.

11. GENERAL SHAREHOLDER INFORMATION:

- i. **Company Registration Details** - The Company is registered in the State of Delhi, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L32101DL1986GOI023501.



- ii. **Date and Time of AGM** - 30th September 2014 at 11:30 AM
- iii. **Venue** - Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003
- iv. **Financial year** - 1st April 2013 to 31st March 2014
- v. **Financial Calendar** -

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2014	30th May , 2014
Submission of Audited Accounts to C&AG of India	June , 2014
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th June 2014	14th August, 2014
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th September 2014	2nd week of November, 2014
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 31st December 2014	2nd week of February, 2015
Board Meeting for Annual Financial Results and unaudited Quarterly Financial Results for the Quarter ended on 31st March 2015	Within 30th May, 2015

- vi. **Dates of Book Closure** - 25th September 2014 to 30th September 2014 (both days inclusive)

- vii. **Dividend Payment Date** - N.A.

- viii. **Listing on Stock Exchanges** : The Equity Shares of company are listed at following Stock Exchanges.

(a) **Bombay Stock Exchange Limited, Mumbai** - Scrip code - 'MAHANGR TELE 108',

(b) **The National Stock Exchange of India Limited** - Scrip code - 'MTNL EQ'

(c) **OTCQX International Market** - Scrip code - 'MTENY'

Application for delisting of MTNL's shares from Delhi, Calcutta & Madras Stock Exchanges have already been filed with the above mentioned Stock Exchanges on 16 October, 2012. No Confirmation of delisting has been received from them so far.

MTNL's Shares/ ADR's have been delisted from NYSE w.e.f. 31.12.2012 and the same have been listed on OTCQX International Market. Trading on OTCQX International Market has commenced w.e.f. 02.01.2013.



Demat ISIN Numbers of Equity Shares of MTNL IN NSDL & CDSL- INE 153A01019

ix. Payment of Listing Fees : Annual Listing Fees for the Financial Year 2013-14 has been paid by the company to BSE & NSE.

x. Payment of Depository Fees : Annual Custody/Issuer fee for the year 2013-14 has been paid by the company to CDSL & NSDL.

xi. Stock Market Price Data : Information relating to high & low price during each month in last financial year at BSE and NSE is given here under:-

The Opening Price on BSE as on 01/04/2013 is ₹ 18.50 and NSE as on 01/04/ 2013 is ₹18.40

The Closing Price on BSE as on 31/03/2014 is ₹ 15.23 and NSE as on 31/03/2014 is ₹ 15.20

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	Month's High Price ₹	Month's Low Price ₹	Month's High Price ₹	Month's Low Price ₹
April 2013	22.50	18.20	22.45	18.40
May 2013	24.60	18.05	24.55	17.80
June 2013	20.15	16.60	20.20	16.60
July 2013	18.65	13.75	18.65	13.75
August 2013	14.75	9.71	14.75	9.75
September 2013	16.99	9.92	17.00	9.90
October 2013	15.90	13.96	15.90	13.90
November 2013	16.25	13.95	16.25	13.95
December 2013	16.17	13.00	16.15	13.00
January 2014	18.33	14.50	18.40	14.45
February 2014	15.95	13.80	15.90	13.80
March 2014	15.32	13.76	15.30	13.70

(xii) Registrar and Transfer Agents of Equity Shares of MTNL - 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. E-mail- beetal@rediffmail.com

(xiii) 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 thereafter the certificate are required to be issued

within 15 days from the date of receipt of request to transfer the share. The Board has delegated the authority for approving transfer, transmission, etc. of the Company's securities to the Share Transfer Committee comprising of GM (BB) /DGM (Banking) and Company Secretary. A summary of transfer/ transmission of securities of the Company so approved by the Share Transfer Committee is placed before the Shareholders'/Investors' Grievance Committee (now called as Stakeholders Relationship Committee). The Company obtains the certificate of compliance of the formalities regarding Share Transfer from Company Secretary in Practice as required under Clause 47(c) of the Listing Agreement and files a copy of the said certificate with the Stock Exchanges, on regular basis.

(xiv) Information on Shareholding

(a) Shareholding Pattern of MTNL as on 31st March, 2014.

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as % of Total number of Shares
1.	President of India	354378740	56.25
2.	Mutual Funds	3800	0.00
3.	Financial Institutions/Banks	132727604	21.07
4.	Foreign Institutional Investors	4558161	0.72
5.	Bodies Corporates	25240329	4.01
6.	Individuals	90520790	14.37
7.	Trusts, Clearing Members & HUF	7590242	1.21
8.	NRI & Foreign Corporate Bodies	2500700	0.40
9.	Shares held by Custodians and against which Depository Receipts have been issued	12476134	1.98
10.	Any other (stressed asset stabilization fund)	3500	0.00
	GRAND TOTAL	630000000	100



(b) Distribution of Shareholding as on 31st March, 2014.

Share Holding of Nominal Value of ₹	No. of Share holders	% to Total holders	No. of Shares	Amount in ₹ (Face Value)	% to Total Share Capital
UPTO 5000	1,26,148	83.50	1,75,15,924	17,51,59,240.00	2.7803
5001 TO 10000	11,853	7.85	98,98,373	9,89,83,730.00	1.5712
10001 TO 20000	6,011	3.98	93,45,190	9,34,51,900.00	1.4834
20001 TO 30000	2,139	1.42	55,50,423	5,55,04,230.00	0.8810
30001 TO 40000	1,098	0.73	39,83,978	3,98,39,780.00	0.6324
40001 TO 50000	1,019	0.67	48,57,121	4,85,71,210.00	0.7710
50001 TO 100000	1,463	0.97	1,10,24,737	11,02,47,370.00	1.7500
100001 and above	1,342	0.89	56,78,24,254	5,67,82,42,540.00	90.1308
TOTAL	1,51,073	100.00	63,00,00,000	6,30,00,00,000.00	100.000

Note: - Nominal Value of Each Share/Unit is ₹10

(xv) Dematerialization of shares and liquidity -

As on 31st March 2014, 99.99% 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.

(xvi) Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund

During the year under review, the Company has credited ₹17,41,820, lying in the unpaid/unclaimed dividend account, to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the erstwhile Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001. Pursuant to the provision of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 30, 2013 (date of last Annual General Meeting) on the Ministry of Corporate Affairs website.

(xvii) In terms of Clause 5A(I) and Clause 5A(II) of the Listing Agreement, MTNL has opened a Beneficiary Account under the name of "MTNL- Unclaimed Suspense Account" (DP ID- IN301330, Client ID- 21234840) for crediting unclaimed demat shares of MTNL on November 1, 2012.



DETAILS OF MTNL- UNCLAIMED SUSPENSE ACCOUNT

Opening Balance (as on 01.4.2013)		Requests received and Disposed off during 2013-2014		Closing Balance (as on 31.03.2014)	
Cases	Shares	Cases	Shares	Cases	Shares
0	0	0	0	0	0

(xviii) Plant Locations -

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

(xix) The RTA of Bonds issued by MTNL is M/s Karvy Computer Share Pvt. Ltd. and Debenture Trustee is SBI CAP TRUSTEE CO. LTD, Appejay House, 6th Floor, West wing, 3, Dinshaw Wachha Road Churchgate, Mumbai-400020 (Contact Person Shri Ajit Joshi, Company Secretary, Mobile:08879150003, Landline:022-43025503, ajit.joshi@sbicaptrustee.com)

Investor's correspondence may be addressed to:

Shri S.R.Sayal, Compliance Officer and Company Secretary

Mahanagar Telephone Nigam Limited

Mahanagar Doorsanchar Sadan, Floor 9, CGO Complex, Lodhi Road, New Delhi-110003

Tel: 91 11-24317225 Fax: 91 11 24315655

Website: www.mtnl.net.in / www.bol.net.in E-mail Id: cscsco@bol.net.in

BRIEF RESUME OF DIRECTOR PROPOSED TO BE REAPPOINTED AT THE ANNUAL GENERAL MEETING AND APPOINTED AFTER THE DATE OF LAST AGM i.e. 30th SEPTEMBER 2013 (PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT WITH THE STOCK EXCHANGES

1. Shri V. Umashankar

Shri. V. Umashankar is Joint Secretary in Deptt of Telecommunications, Ministry of Communication & IT, and Government of India since 5th March, 2013. He joined Indian Administrative Services (IAS) in 1993. Mr. V. Umashankar is a B.Tech in Mechanical Engineering & Post graduate in Public Policy and Management. He has a wide experience of about 20 years at various coveted position. Mr. V. Umashankar has been nominated as a Government Director, on the Board of Directors of MTNL w.e.f. 15/03/2013



V. K. SHARMA & CO.

Company Secretaries

422, Ocean Plaza, Sector-18, Noida

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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 2014 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 except that:-

- (i) The company does not have the required percentage of Independent directors on its Board and Audit Committee.
- (ii) The Chairman of the Audit Committee was not present at Annual General Meeting.
- (iii) In the absence of quorum for Audit committee the annual financial statements and other agenda included in the role of the committee e.g. appointment of statutory auditors, etc.were not reviewed by the committee.
- (iv) Elements of Director's remuneration were not disclosed in the annual report- 2012-13.

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

sd/-

(V.K. Sharma)

FCS: 3440

Place: New Delhi

Date: 12th August, 2014



MANAGEMENT DISCUSSIONS & ANALYSIS REPORT (RISK MANGEMENT POLICY OF MTNL)

INTRODUCTION:

MTNL was incorporated as Public Sector Undertaking in the year 1986 with an Authorized share capital of ₹ 800 crore to serve the cities of Delhi and Mumbai cities in India. Its objective is to provide world class telecommunication services to its customers at affordable tariffs. MTNL got Navratana Status in 1997. It is listed in NSE, BSE and OTCQX. Application for delisting of shares from Delhi, Calcutta and Madras Stock Exchange has already been made.

Following major risk are faced by MTNL in the current competitive telecom scenario:-

1. Market Risk
2. Policy and Regulatory Risk
3. Technology Risk/Quality of service
4. Overstaffing Risk and Staff Costs
5. Manpower Risk

1. MARKET RISKS

- 1.1 The Indian government is rapidly liberalizing the telecommunications industry in India. Many private operators are currently competing with us in the market for both basic and cellular services. All these operators already have significant telecommunications infrastructure in Delhi and Mumbai. We are vulnerable to losing market share if private operators aggressively target our high paying subscribers. Some of such customers like hotels etc. have already migrated to other basic service operators.
- 1.2 We are facing growing competition in the market for Cellular and Broadband services. Private operators enjoy significant presence in these markets with Pan India presence, have longer experience operating a cellular network than we do as MTNL was able to enter the GSM market five years after the private operators.
- 1.3 Increasing competition is keeping downward pressure on tariffs and we may have to increase our capital investment to improve and expand our services. These developments may have a negative impact on our financials in short term. MTNL is confined only to the cities of Delhi and Mumbai which are having more than 100% tele-density and are among the most competitive markets and MTNL is not able to expand its telecom services beyond its area of jurisdiction. Further, Delhi and Mumbai are



already having a very high tele-density and further growth potential is very limited. MTNL is also not able to provide Pan India plan to its subscriber due to above restriction. The above factors have led to an increased pressure on margins and also on customer retention and acquisition. Such competitive pressures are likely to increase in future putting a further strain on the margins.

- 1.4 In order to face market risks, MTNL is diversifying into new services and has been pushing Cellular services very effectively. MTNL has facilitated all its 2G customers to access 3G services without any extra charges. Broadband services are being offered at very attractive rates. Value Added Services (VAS) are being added for positioning MTNL as an attractive option to customers. MTNL is also providing IPTV, VOIP, ISDN, various combo packages at attractive prices to increase revenue and popularity of various products of MTNL and various other services to increase revenue.
- 1.5 MTNL is also expanding its services overseas and providing services in Nepal and Mauritius.

2. POLICY AND REGULATORY RISKS

- 2.1 The telecommunication sector in India is one of the most competitive sectors. 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. Further, the Government has granted spectrum for 3G services and BWA Services at very high rates as one time fee. In comparison to these fees, the potential revenue is likely to be low because of low tariffs due to cut throat competition. Regulatory policies cannot be foretold and may at times, be such as to affect the financials of the company.
- 2.2 Earlier, only a limited number of operators could provide telecom services in a particular circle. Now, this restriction has been removed and unlimited operators have been allowed in the market. This has lead to more competition in the market leading to still lower tariffs.
- 2.3 MTNL is confined to Delhi and Mumbai and is not able to operate in Tier-II and Tier-III cities where maximum growth is taking place. This restriction on service area also impacts MTNL in another way. While it's competitors having Pan India presence can offer discount on calls to their network elsewhere in the country, MTNL cannot offer similar discounts being restricted to Delhi and Mumbai service areas.
- 2.4 MTNL strongly represents its point of view to the policy makers and Regulator with respect to areas which impact MTNL's interest. Mobile Number Portability (MNP) has also been introduced in Indian Telecom Sector making this sector even more competitive. Now, the customers have choice to migrate to other operators without changing his/ her mobile number.



- 2.5 CDMA service for which MTNL was allotted 2.5 MHz spectrum in 800 MHz band is also provided under CMTS Service license. The GSM license will be expiring in 2017-18. The costs associated with renewal and acquisition of spectrum 900 MHz and 1800 MHz band may further add to the liabilities, based on the policy or to growth at that time.
- 2.6 As per the present Govt. policy MTNL may be required to pay one time spectrum charges for the 2G spectrum held beyond 4.4 MHz w.e.f 01.07.2008 till expiry of CMTS license i.e. 09.10.2017. MTNL was holding 8.0 MHz regular 2G spectrum till 13.01.2013 and 8.4 MHz w.e.f 14.01.2013. Based on the auction prices MTNL may be required to pay around ₹1329.28 Cr (for both Delhi & Mumbai) towards payment of one time spectrum charges w.e.f. 01.07.2008 till expiry of CMTS license i.e. upto 09.10.2017. Presently, the issue of payment of one time spectrum charges is under litigation and the payment liability will be subject to outcome of the case. Further keeping in view its present financial condition, MTNL has conveyed to DoT its inability to pay one time spectrum charges and has sought assistance of the Govt in the matter.

In addition to above, as per present policy, at the time of renewal of CMTS license, MTNL may be required to pay one time spectrum charges for the quantum of spectrum it intends to retain for 20 years. As per the recent auction determined price, this liability comes out to be around ₹ 9484.31 Cr. for retaining 8.4 MHz (6.2-900 MHz + 2.2 -1800 MHz) 2G spectrum for both Delhi and Mumbai from 10.10.2017 to 09.10.2037

- 2.7 MTNL had deployed CDMA services under CMTS service license. Presently MTNL is holding 2 CDMA Carriers of 1.25 MHz each thus totaling to 2.5 MHz spectrum each in Delhi and Mumbai in 800 MHz band. These spectrums were allotted to MTNL administratively i.e. bundled with license without payment of any extra charge for spectrum. Recently, TRAI in its recent recommendations on "Reserve price for auction of Spectrum in the 800 MHz band, Dated: 30.12.2013" had recommended that considering the continuous decline in the subscriber base, MTNL should vacate all the carriers of 800 MHz band assigned to it in both Delhi and Mumbai.

Due to service limitations, MTNL's CDMA subscriber base has been continuously declining over the period and incurring operational losses from its' CDMA business in Delhi & Mumbai. MTNL was hoping to generate additional revenue through trading / sharing of the CDMA spectrum as & when allowed by the Govt. However, as per the policy indication available, sharing / trading is expected to be allowed only for the liberalized spectrum which means MTNL may have to pay the auction determined price for the CDMA spectrum. Further, MTNL may be required to pay one time spectrum charges for retention of CDMA spectrum which will be due in 2017.

- 2.8 Present Risk effecting or going to effect due to regulation on “roaming charges” and “tariff on leased circuit (DLCs)”- Telecom regulator TRAI has reduced ceiling tariffs of dedicated broadband lines, called as DLC and are mainly used by business houses and telecom operators, by up to 60 per cent. The revised tariff regime for domestic leased circuits (DLCs) has come into effect from August 1, 2014. TRAI has reduced ceiling tariffs for Point-to-Point Domestic Leased Circuits (P2P-DLCs) of E1 (2Mbps), DS3 (45 Mbps) and STM-1 (155 Mbps) capacities and has brought DLCs of STM-4 (622 Mbps) capacity under tariff regulation. The above mentioned regulations may affect the revenues on DLCs provided by MTNL.

Considering above and also the fact that MTNL has already invested CAPEX and OPEX in CDMA business and withdrawal CDMA Spectrum will render its investments in CDMA business redundant, MTNL has made the following representation to DoT- “The spectrum (800 MHz) is allotted to MTNL upto 09.10.2017 and CDMA services are running over it for which MTNL has made significant capital investment both in active and passive network along with backhaul, hence it cannot be prematurely surrendered. However, in case it is of interest / requirement of DoT, MTNL may be reimbursed /compensated equivalent to the value of spectrum for the remaining period of license i.e. upto 09.10.2017 at the rate of auction determined price of 800 MHz spectrum from 21.04.2014.”

3. TECHNOLOGY RISK/QUALITY OF SERVICE

- 3.1 Telecom is certainly the most happening sector today. In the telecom sector which is driven by very stiff competition, fast changing technologies and falling prices of the telecom equipments, it is becoming increasingly difficult to predict / forecast the future. The investment today in a particular technology becomes outdated tomorrow with an introduction of more promising Technology / Services / Quality of services. To survive in the market, every operator has to move with the market forces and to adopt advance technologies/services.
- 3.2 As far as MTNL is concerned, we have always been pioneer in introducing latest technologies in the telecom field. As a company, MTNL has rapidly modernized its network by incorporating state-of-the-art technologies and adopting customer friendly approach. With the developments in the Telecom Sector MTNL has transformed itself from telecom voice service provider to a total telecom solution provider. While deploying any new technology, it is always ensured that the technology is well proven in telecom field. Whenever a new technological development has taken place, MTNL has always evaluated the situation / market condition and reacted accordingly. Some of the examples are as follows:



- (a) When CDMA IS was becoming obsolete, with introduction of CDMA 2000 1X system, MTNL rolled out 2000 1X network with advanced features. At the same time the old IS95 network continued serving the fixed wireless subscribers.
 - (b) SDH technology is becoming obsolete day by day. At present our access & aggregation network is primarily on SDH technology. MTNL is now planning to migrate to new technology i.e. Carrier Ethernet based solution in the access network and IP-MPLS at aggregation level. In order to protect our investment on SDH equipments, the migration will be on phased manner.
 - (c) Initially MTNL rolled out 2G voice services in Delhi & Mumbai. With advancement, MTNL upgraded its network to support GPRS/ EDGE (2.5/ 2.75G). Further, MTNL has deployed 3G network in Delhi and Mumbai to keep with market requirements.
- 3.3 MTNL's TDM Fixed line switches are becoming obsolete as their induction start around 20 years back and currently having difficulties in its day to day maintenance. Vendors of two technologies have already withdrawn their maintenance contract citing obsolescence of the technology. Therefore these technologies need to be replaced progressively during the current five year with state of art NGN / IMS switches. Further the new technology will also help launching a number of value added services on fixed lines at par with wireless technologies which are very vital for its survival.
- 3.4 MTNL was allotted 3G spectrum after paying ₹ 6564 Cr. MTNL is making its continuous and best efforts for upgrading and expanding its 3G network. However, MTNL has very low active 3G subscriber base in both Delhi and Mumbai circles and thus has huge spare capacity of 3G network. Even in the best case scenario in future, spare capacity would be available on 3G network. Expected revenue that MTNL can generate on its 3G network would not justify the cost of spectrum, hence MTNL needs to explore other ways to monetize its 3G network like sharing a part of the spectrum with other telecom players. MTNL may explore the possibility of sharing the spectrum once it is allowed by the new telecom policy.
- 3.5 **Effect of BWAS (4G) on the Broadband-** 4G (fourth-generation) wireless defines the stage of broadband mobile communications that supersede the third generation 3G. 4G uses orthogonal frequency-division multiplexing - OFDM instead of time division multiple access - TDMA or code division multiple access (CDMA). 4G network requires a mobile device to be able to exchange data at 100 Mbit/sec. A 3G network, on the other hand, can offer data speeds as slow as 3.84 Mbit/Second if MTNL continues with 3G network alone, the portability of 3G subscribers to others having 4G network could effect the revenues on Mobile Segment.



Introduction of 4G in India will generate new demand for technology which will require new investment to be made in the latest technology. The new market will not only create opportunity for the MTNL but also pose new threats to its existing Copper/OFC wireline based broadband market.

Since 4G is a new technology the equipment will be more expensive. Even though Sales and Marketing teams will be able to sell more services to their customers, it is not sure whether it will be enough to cover the higher costs of converting to 4G. If few player chooses the 4G strategy, but no one else follows, that player will be at a significant disadvantage.

4. OVERSTAFFING RISKS AND STAFF COSTS.

- 4.1 MTNL has huge legacy staff strength inherited from DoT. Presently MTNL has around 36,523 working employees as compared to 62000 in the year 1997-98. There has been some reduction in staff because of three VRS and natural attrition. However, MTNL is still suffering from extreme overstaffing and the staff cost absorbs a very high percentage of the revenue. Overstaffing is a major risk which the Company faces as it has little flexibility to address the problem.
- 4.2 Efforts had been made to reduce the staff by offering VRS. Natural attrition because of retirements is also leading to reduction in staff. Overstaffing can be avoided only through mix of VRS, diversification and sending the staff to other organizations on deputation. A proposal seeking financial aid has been submitted to DOT for bringing out VRS in MTNL or providing the salary support for certain percent of employees who are retiring in next 10 years.
- 4.3 Regarding Pension is concerned, Department of Pension and Pensioner's Welfare, has issued Gazette Notification vide letter dtd 03.03.2014 wherein the payment of pension to the absorbed employees who have opted for Combined Pension as per BSNL pattern, will be paid by Government.

5. MANPOWER RISKS

- 5.1 There are about 36,523 employees of the Company and major portion of revenue is spent on staff. In comparison of the staff costs of other operators, it is substantially high. These relate to payment of Pension, gratuity, leave encashment to DoT employees absorbed 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. The certain issues are pending for want of settlement with Department of Telecommunications (DoT).

The absorption process of Gr "A" officers is yet to settled.



The absorption process of Gr "A" officers is yet to settled.

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

6. REPAYMENT OF LOAN/ INTEREST BURDEN

- 6.1 MTNL has paid an amount of ₹ 11,097 Crore to acquire 3G and BWA spectrum. Short Term Loans amounting to about ₹ 7533.97 Crs were taken from various banks while the remaining amount was paid by MTNL from its own resources. MTNL repaid Short Term Loan of ₹ 533.97 Crs and the balance amount of ₹ 7000 Crs has been converted into long term debt and the interest burden of this debt is high. Efforts are being made to substitute it with lower Cost funds since it is becoming difficult to get adequate return from the spectrum purchased. The repayment of principal of long term loan has started from FY 2013-14 and MTNL has pre-paid installments amounting to ₹ 1717.35 Crs in FY 2013-14 from the proceeds of Bonds issue. The O/s Balance of Long Term Loan as on 31.03.2014 is ₹ 4455 Crs.
- 6.2 MTNL has raised short term Loan from various banks and ₹ 1700 crs is required to be paid back during the current financial year as per terms and conditions of the loan. The schedule of repayment both for short term and long term loan debt is enclosed herewith.
- 6.3 MTNL has sought sovereign guarantee from the Govt. to float long Term Tax Free Bonds with bullet repayment of principal and interest to start after the initial moratorium period. MTNL has raised ₹1975 crs and ₹ 765 Crs respectively through 10 years Sovereign Guarantee bonds in FY 2013-14 with semi-annual interest payment. The Bonds of ₹ 765 Crs issued in March 2014, is part of the refund of BWA spectrum Charges approved by the Union Cabinet and the liability of interest and principal repayment rests with the government. MTNL is also expecting the approval for issuing Bonds for remaining amount of ₹ 3768.97 Crs refund of BWA Spectrum Charges. This will enable the servicing of debts to be re-aligned with future revenue earnings.



Annual Accounts

2013-14



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INDEPENDENT AUDITORS' REPORT

To,

The Members of

Mahanagar Telephone Nigam Limited.

Report on the Financial Statements

We have audited the accompanying financial statements of Mahanagar Telephone Nigam Limited ("the Company"), which comprise the Balance sheet as at March 31, 2014 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical



requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 the accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

Basis for Qualified Opinion

- (i) The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 23640.05 million is subject to reconciliation and confirmation. In view of non reconciliation/ confirmation and also in view of various pending disputes regarding each other's claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company. (Also refer point no.11 of note no.35 to the financial statements).*
- (ii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 84202.51 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company. (Also refer point no.15 of note no.35 to the financial statements).*
- (iii) Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of ₹ 1403.63 million instead*

of actual liability resulting in under statement of current liabilities and over statement of profit to that extent. (Also refer point no. 17 of note no.35 to the financial statements).

- (iv) The Company continues to allocate the establishment overheads towards capital works on estimated basis. In view of the basis being not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" issued under the Companies (Accounting Standards) Rules, 2006, the same results into overstatement of capital work in progress/ fixed assets and overstatement of profits. The actual impact of the same on the financial statements for year is not ascertainable and quantifiable. (Also refer note no.25 and 28 to the financial statements).*
- (v) No adjustment has been considered on account of impairment loss during the year, with reference to AS-28 "Impairment of Assets" issued under Companies (Accounting Standards) Rules, 2006. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the profit for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer point no. 36 of note no.35 to the financial statements).*
- (vi) To work out the liability towards wealth tax, vacant land and guest houses/inspection quarters are taken at their book values instead of valuation the same as per Wealth Tax Act / Rules resulting into over statement of profit resulting from lower wealth tax and also corresponding understatements of liabilities. In the absence of valuation as at the year end, we are not in a position to ascertain and quantify the impact thereof on financial statements. (Also refer point no. 26 of note no.35 to the financial statements).*
- (vii) Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the financial statements is not ascertainable and quantifiable. (Also refer point no. 23 of note no.35 to the financial statements).*
- (viii) Dues from the operators are not taken into account for making provision for doubtful debts. Also no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 3(b) of note no. 1 to the financial statements).*
- (ix) (a) In Delhi Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on financial statements cannot be ascertained and quantified at present. (Also refer point no. 16(a) of note no.35 to the financial statements).*

- (b) *Unlinked credit of ₹ 212.42 million on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, both assets and liabilities are overstated. (Also refer point no. 16(e) of note no.35 to the financial statements).*
- (c) *The aggregate balance of trade receivables as per the ageing summary in subsidiary records is lower by ₹ 66.56 million as compared to the balance in general ledger and is under reconciliation. The same has been provided for. Pending reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified. (Also refer point no. 16(f) of note no.35 to the financial statements).*
- (x) *In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending. Pending such reconciliation, the impact of the same on the financial statements can not be ascertained and quantified. (Also refer point no.40 of note no.35 to the financial statements).*
- (xi) *Fixed assets are generally capitalized on the basis of completion certificates issued by the engineering department. Due to delays in issuance of the completion certificates, there are cases where capitalization of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalized in the balance sheet cannot be ascertained.*
- (xii) *Pending reconciliation of income from recharge coupons/ITC cards/prepaid calling cards and stock of such coupons/cards, the impact thereof on the financial statements cannot be ascertained and quantified.*
- (xiii) *The Company had invested ₹1000 million in 8.75% Cumulative Preference Shares of M/S. ITI Limited during the year 2001-02. As per the terms of allotment, the said preference shares were to be redeemed in five equal installments. As per letter no. U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the said preference shares was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. has failed to meet its rescheduled obligation in respect of first two installment of ₹ 200 million each payable in 2012-13 & 2013-14. Since M/s. ITI Ltd. has not complied with even rescheduled commitments, the Company has made a provision for the first two installment of ₹ 400 million only instead of providing for full investment of ₹ 1000 million. This has resulted into over statement of profit by ₹ 600 million and overstatement of non current investments by ₹ 400 million and also overstatement of current investments by ₹ 200 million. (Also refer point no. 14 of note no.35 to the financial statements).*



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

(xv) *Department of Telecommunication (DOT) had raised a demand of ₹ 33131.50 million in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.*

As explained the demand for spectrum usage for CDMA has been revised by ₹ 1074.40 million on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹ 32057.10 million has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the financial statements of the Company. (Also refer point no. 39 of note no.35 to the financial statements).

(xvi) *Segment Assets and Segment Liabilities in respect of primary segment have not been ascertained and disclosed by the Company. In the absence of required information, we are not in a position to ascertain and quantify the impact of the same on segment results. (Also refer point no. 33 of note no.35 to the financial statements).*

(xvii) *Other current assets include claim of Income tax refund for F.Y. 1999-2000 of ₹ 1015.43 million arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department . This includes tax amount of ₹ 603.03 million and interest accrued thereon amounting to ₹ 412.40 million. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.*

(xviii) *The balances appearing in the advance tax/income tax receivable / tax deducted at source / interest on income tax and provisions for taxes are subject to reconciliation with the tax records. Pending reconciliations we are not in a position to comment on the*



correctness of the same and consequential impact of the same on the financial statements of the Company.

(xix) In respect of absorbed combined service pension optee employees of MTNL, part of the pensionary benefits paid in the earlier years were capitalized along with the capital work in progress. However while reversing the same in the current year in view of the same having been taken over by Govt. of India as per notification dated March 03, 2014, capitalized portion of earlier years has also been taken to Statement of Profit and Loss and reflected as part of exceptional items without decapitalising the portion capitalized in earlier years. In the absence of details pertaining to previous years, we are not in a position to comment on the impact of the same on the financial statements.

In the absence of information, the effect of which can not be quantified, we are unable to comment on the possible impact of the items stated in the point nos.(i), (ii), (iv), (v), (vi), (vii), (viii), (ix)(a),(ix)(c), (x), (xi), (xii),(xiv), (xv), (xvi), (xvii), (xviii) and (xix) on the financial statements of the Company for the year ended on 31st March 2014.

We further state that without considering the impact of items stated in preceding para, the effect of which could not be determined, had the observations made by us in point nos (iii),(ix)(b) and,(xiii)) been considered in the financial statements, profit for the year would have been ₹76247.68 million as against the reported figure of ₹78251.31 million in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 2705.58 million as against the reported figure of ₹2918.00 million, Non Current Investments and Current Investments would have been ₹1419.79 million and ₹nil million as against the reported figures of ₹ 1819.79 million and ₹ 200 million respectively, Other Current Liabilities would have been ₹30047.60 million as against the reported figure of ₹28856.39 million in the Balance Sheet.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effects of the matters described in the Basis for Qualified Opinion paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with accounting principles generally accepted in India:

- a) in the case of Balance Sheet, of the state of affairs of the Company as at March 31,2014;
- b) in the case of Statement of Profit and Loss, of the profit for the year ended that date; and
- c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.



Emphasis of Matters

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

- (i) Point no.4 of note no. 35 to the financial statements regarding non provision of pensionary benefits viz. pension and gratuity in respect of absorbed combined service pension optees to be paid by the Govt. of India vide gazette notification no.GSR 138(E) dated 3rd March 2014.
- (ii) Point no.22 of note no.35 to the financial statements regarding non provision of diminution in the value of investments in joint ventures/subsidiary as these diminutions are considered temporary in nature.
- (iii) Point no.5(a) of note no.35 to the financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.
- (iv) Point no. 8(b) of note no.35 to the financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.
- (v) Point no. 38 of note no.35 to the financial statements regarding non deduction of tax at source for IUC services rendered by BSNL based on the expert opinion taken by the Company.
- (vi) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no.19 to the financial statements).
- (vii) Amount receivable from BSNL has been reflected as loans and advances instead of bifurcating the same into trade receivables and other receivables. (Also refer note no.16 to the financial statements).
- (viii) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Schedule VI of the Companies Act, 1956 has not been made by the Company in the financial statements.

- (ix) Point no. 16(b) of note no.35 to the financial statements regarding impact if any, arising out of reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS) in Mumbai Unit.
- (x) Point no. 16(d) of note no.35 to the financial statements regarding impact if any, arising out of reconciliation of Balance outstanding under refund due to subscribers account with actual amount due for refund in Mumbai Unit.
- (xi) Point no. 27 of note no. 35 to the financial statements regarding exceptional items to the tune of ₹ 116209.31 million accounted for during the year.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of the Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that :
 - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit *except for the matters described in point nos. (i), (ii), (iv), (v), (vi), (vii), (viii), (ix)(a), (ix)(c), (x), (xi), (xii), (xiv), (xv), (xvi), (xvii), (xviii) and (xix) of paragraph on Basis of Qualified Opinion given above;*
 - b. In our opinion proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with books of account;
 - d. *In our opinion and based on our comments in point nos. (iii), (iv), (v), (xi), (xii), (xiii), (xiv), (xv), (xvi) & (xix) of the paragraph on Basis for Qualified opinion given above, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act read with the General Circular 15/2013 dated 13th September, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, except AS-2 regarding Valuation of Inventories, AS-6 regarding Depreciation Accounting, AS-9 regarding Revenue Recognition, AS-10 regarding Accounting of Fixed Assets, AS-13 regarding Accounting for Investments,*



AS-17 regarding Segment Reporting, AS-28 regarding Impairment of Assets, AS-29 on Provisions, Contingent Liabilities and Contingent Assets;

- e. In view of the Government notification no. GSR 829 (E) dated 21st October 2003, Government companies are exempt from the applicability of provisions of clause (g) sub-section (1) of Section 274 of the Act;

For Arun K. Agarwal & Associates

Chartered Accountants

FRN – 003917N

For V.K. Dhingra & Co.

Chartered Accountants

FRN – 000250N

sd/-

(Vimal Kumar Jain)

(Partner)

(Mem. No. 086657)

sd/-

(Lalit Ahuja)

(Partner)

(Mem. No. 085842)

Place: New Delhi

Date: MAY 30, 2014



ARUN K AGARWAL & ASSOCIATES
Chartered Accountants
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V. K. DHINGRA & CO.
Chartered Accountants
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ANNEXURE TO INDEPENDENT AUDITORS' REPORT

REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING OF "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE TO THE MEMBERS OF MAHANAGAR TELEPHONE NIGAM LTD SHALL ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED ON 31ST MARCH 2014.

1. (a) Delhi unit has maintained records of fixed assets. However in MS unit- Delhi, identification number is not mentioned. It is noticed that records of the Estates Department in respect of Land and Building do not match with the records as per financial books. In case of Mumbai Unit (both basic and WS unit), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai unit are not up dated and reconciled with the financial records. Also identification number is not mentioned in respect of most of the items. The corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.
- (b) As per the Accounting Policy of the company, Fixed Assets are required to be physically verified by the Management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, the Electric Appliances (excluding lights & fans), Furniture & Fixtures, line & wire and computers were physically verified in accordance with programme of verification by the management during the year and no material discrepancies were noticed on such verification. However no documentary evidence in respect of physical verification of lines & wires was made available to us for our verification. Therefore we are unable to comment on material discrepancies noticed on such verification, if any.
- (c) The company has not disposed off any substantial part of its fixed assets during the year except surrender of spectrum of BWA services which is not effecting the going concern.

2. (a) In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals during the year .

(b) In our opinion, the procedures of physical verification of the inventory followed by the management are reasonable and adequate in relation to the size of the company and the nature of its business.

(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. As per the information provided to us, discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of accounts.
3. As explained to us, the Company has neither taken nor granted any loans, secured or unsecured, from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4(iii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.
4. In our opinion and according to the information and explanations given to us there are internal control procedures which are generally adequate and commensurate with the size and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. However, the same needs to be further strengthened. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems.
5. Based on the audit procedures applied by us and the information and explanations provided by the management, there was no transaction during the year ended 31.03.2014 that need to be entered in the register maintained under Section 301 of the Companies Act 1956.
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 and 58 AA of the Companies Act, 1956 and the rules framed there under.
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, 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 .The company has not maintained the required Cost Records for the year 2013-2014.

9. (a) According to the information and explanations given to us and the records of the company examined by us, in our opinion, the company is generally regular in depositing undisputed Statutory Dues including Contributory Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, service tax, Custom Duty, Excise Duty, Cess and any Other material Statutory Dues as applicable with the appropriate authorities. As informed to us, the provisions of Employees State Insurance Act are not applicable to the company. According to the information and explanation given to us no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31.03.2014, for a period of more than six months from the date they become payable.
- (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:

Delhi Unit

(i) Sales Tax

Name of the Statute	Amount (₹) L.S.T (Net)	Period	Authority where
Delhi Sales Tax Act	122100562	2007-08	Addl. Comm. Sales Tax
Delhi Sales Tax Act	625986672	2009-10 & 2010-11 (CWG 2010)	Addl. Comm. Sales Tax
TOTAL	748087234		

(ii) Service Tax

Name of the Statute	Amount (₹) L.S.T (Net)	Period	Authority where
Service tax	79553540	2005-06	Addl. Comm. Service Tax
Service tax	220288844	2007-08	Addl. Comm. Service Tax
TOTAL	299842384		

Mumbai Unit

Name of the Statute	Nature of Dues	Amount under dispute (₹) Net	Year to which amount relates	Forum where the dispute is pending
BST ACT	Assessed Amount	672968	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	Assessed Amount	52693370	1996-97	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	Assessed Amount	59424662	1998-99	Jt. Commissioner of Sales Tax (Appeal) II Mumbai
BST ACT	Assessed Amount	30201675	1999-2000	Jt. Commissioner of Sales Tax (Appeal) II Mumbai
BST ACT	Assessed Amount	54029094	2000-01	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	Assessed Amount	101128984	2001-02	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	Assessed Amount	2161090302	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	Assessed Amount	1015717015	2004-05	Maharashtra Sales Tax Tribunal, Mumbai
Total		3474958070		

Statutory dues which have not been deposited in respect of Mumbai MS unit as on 31st March, 2014.

Name of the Statute	Nature of Dues	Amount under dispute not deposited (₹)	Year to which amount relates	Forum where the dispute is pending
Central Excise Act	Installation of BTS Site	2909233	2004-05	CESTAT
Central Excise Act	Installation of BTS Site	2617816	2005-06	CESTAT
Central Excise Act	Installation of BTS Site	3210353	2006-07	CESTAT
Total		8737402		



10. The company does not have any accumulated losses at the end of the financial year. However, it has incurred cash losses during the current financial year as well as in the immediately preceding financial year.
11. As per the records of the company and according to the explanation provided by the management, we report that there is no default in repayment of dues from the loan taken from banks during the year under audit
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. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on the basis of overall examination of the Balance Sheet & Cash Flow Statement of the company, we report that the funds raised by the company on short term basis have, prima facie, not been used for long term investments to the extent of ₹ 888.50 million.
18. 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.
19. The Company has issued Non Convertible Debentures (in the form of bonds) under Sovereign Guarantee on private placement basis. As per information and explanation given to us, no charge or security is required to be created for the same.
20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.
21. 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.

For Arun K. Agarwal & Associates

Chartered Accountants

FRN – 003917N

sd/-

(Vimal Kumar Jain)

(Partner)

(Mem. No. 086657)

Place: New Delhi

Date: MAY 30, 2014

For V.K. Dhingra & Co.

Chartered Accountants

FRN – 000250N

sd/-

(Lalit Ahuja)

(Partner)

(Mem. No. 085842)



MAHANAGAR TELEPHONE NIGAM LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2014

Particulars	Note No.	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	6,300.00	6,300.00
Reserves & Surplus	3	44,107.06	(34,144.25)
NON - CURRENT LIABILITIES			
Long Term Borrowings	4	81,100.00	69,373.50
Other Long Term Liabilities	5	32,126.39	31,414.93
Long Term Provisions	6	17,940.43	107,728.29
CURRENT LIABILITIES			
Short Term Borrowings	7	60,104.40	46,013.37
Trade Payables	8	1,834.67	2,054.96
Other Current Liabilities	9	28,856.39	28,893.17
Short Term Provisions	10	1,993.52	5,853.46
Total		274,362.86	263,487.43
ASSETS			
Non - Current Assets			
Fixed Assets			
(a) Tangible Assets	11	64,254.16	66,939.52
(b) Intangible Assets	12	47,955.33	82,052.31
(c) Capital Work In Progress	13	3,825.69	9,322.42
Non Current Investments	14	1,819.79	2,019.79
Long Term Loans And Advances	15	90,060.15	49,621.88
Other Non Current Assets	16	42,691.76	36,970.09
CURRENT ASSETS			
Current Investments	17	200.00	200.00
Inventories	18	698.94	819.54
Trade Receivables	19	2,918.00	3,809.98
Cash & Cash Equivalents	20	2,463.11	1,098.89
Short Term Loans & Advances	21	14,351.16	7,425.45
Other Current Assets	22	3,124.77	3,207.56
Total		274,362.86	263,487.43

Significant Accounting Policies

1

See accompanying notes (1 to 35) to the financial statements

In terms of our report of even date attached.

For and on behalf of Board

For V.K. Dhingra & Co.

Chartered Accountants

FRN: 000250N

sd/-

(Lalit Ahuja)

(Partner)

M.No. 085842

For Arun K. Agarwal & Associates

Chartered Accountants

FRN: 003917N

sd/-

(Vimal Kumar Jain)

(Partner)

M.No. 086657

sd-

(S.R. Sayal)

(Co. Secy)

sd/-

(P.K. Purwar)

Director

(Finance)

sd-

(K.A. Sarma)

DGM (Accounts)

sd-

(A.K.Garg)

Chairman & Managing

Director

Place : New Delhi

Date : 30th May, 2014



MAHANAGAR TELEPHONE NIGAM LIMITED
Statement of Profit & Loss for the year ended 31st March, 2014

Particulars	Note No.	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
REVENUE			
Net Revenue From Operations	23	33,917.35	34,286.63
Other Income	24	3,956.37	2,854.20
Total Revenue		37,873.72	37,140.83
EXPENSES			
Employee Benefits	25	26,154.03	49,013.65
Revenue Sharing	26	4,146.76	4,508.94
Licence Fees	27	2,095.26	2,410.79
Administrative, Operative And Other Expenses	28	10,749.14	7,652.83
Depreciation & Amortisation	29	11,657.42	14,769.42
Finance Cost	30	13,901.48	11,802.60
Total Expenses		68,704.09	90,158.23
Profit/(Loss) Before Exceptional, Prior Period Items & Tax		(30,830.37)	(53,017.39)
EXCEPTIONAL ITEMS	34	116,209.31	0.00
Profit/(loss) before Prior Period Items & Tax		85,378.94	(53,017.39)
TAX EXPENSES	31	4,971.79	0.00
Current Tax (MAT)			
Profit/(loss) before Prior Period Items but after Tax		80,407.15	(53,017.39)
Prior Period Items	32	2,155.84	193.84
Profit/(Loss) For The Period		78251.31	(53211.23)
Earnings/ (Loss) Per Equity Share			
(1) Basic (₹.)		124.21	(84.46)
(2) Diluted (₹.)		124.21	(84.46)
Significant Accounting Policies	1		
See accompanying notes (1 to 35) to the financial statements			
In terms of our report of even date attached.			
		For and on behalf of Board	
		sd-	sd-
For V.K. Dhingra & Co.	For Arun K. Agarwal & Associates	(S.R. Sayal)	(K.A. Sarma)
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd/-
(Lalit Ahuja)	(Vimal Kumar Jain)	(P.K. Purwar)	(A.K. Garg)
(Partner)	(Partner)	Director	Chairman & Managing
M.No. 085842	M.No. 086657	(Finance)	Director

Place : New Delhi
Date : 30th May, 2014



Corporate Information

Mahanagar Telephone Nigam Limited (MTNL), a public sector enterprise, is engaged in providing telecom services in the geographical area of Mumbai and Delhi.

Note 1 : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards as per Companies (Accounting Standards) Rules, 2006 & as amended time to time and the relevant provisions of the Companies Act, 1956.

The financial statements are prepared on accrual basis under the historical cost convention, except the following items, which are accounted for on cash basis:

- Interest income/liquidated damages, where realisability is uncertain.
- Annual recurring charges of amount up to ₹ 0.10 Million each for overlapping period.

2. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

3. 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) (i) Provision is made for wrong billing, disputed claims from subscribers (excluding operators covered under the agreements related to IUC/Roaming/MOU) and cases involving suspension of revenue realization due to proceedings in Court.

(ii) In case of landline services provision is made for debtors outstanding for more than 1 year but upto 3 years to the extent of 50 % and 100% in respect of more than 3 years.



(iii) In respect of closed connections, provision is made in respect of outstanding for more than 3 years along with spillover amount for upto 3 years.

(iv) In case of wireless services (GSM & CDMA), provision is made for dues, which are more than 180 days.

- (c) Activation charges, in case of Landline, are recognized as income in the year of connection.
- (d) Activation charges, in case of Mobile Services (GSM), are recognized as revenue on connection.
- (e) Income from services includes income from leasing of infrastructure to other service providers.
- (f) 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.
- (g) The sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.
- (h) Bonus/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company.
- (i) 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 ₹ 0.10 Million are disclosed as prior period items.

4. 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) (i) For absorbed combined service pension optee employees in MTNL, no provision is made for the pensionary benefits viz pension and gratuity, except for the amounts due to difference in pay scales of MTNL and BSNL which is payable by MTNL to the Government of India till next wage revision by which time MTNL and BSNL shall achieve pay scale parity.



- (ii) Annual pension contribution in respect of absorbed combined service pension optee employees in MTNL is payable to the Govt. of India as per FR-116 as in BSNL with equivalent BSNL pay scales and it is expensed off in the relevant year.
- (iii) Liability for leave encashment for all employees of MTNL is accounted for on Actuarial valuation basis.
- (iv) For absorbed CPF optees and direct recruits of MTNL, actuarial valuation is made for gratuity.
- (c) For post retirement medical benefits, no provision is made since insurance policy is taken periodically and the premium is expensed off in the relevant year.

5. Fixed Assets

- (a) 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.
 - (i) Land is capitalized when possession of the land is taken.
 - (ii) Building is capitalized to the extent it is ready for use.
 - (iii) 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.
 - (iv) Lines & Wires are capitalized as and when laid or erected to the extent completion certificates have been issued.
 - (v) Cables are capitalized as and when ready for connection with the main system.
 - (vi) Vehicles and Other Assets are capitalized as and when purchased.
 - (vii) Intangible assets including application software are capitalized when ready for use. Entry fee for onetime payment for 3G spectrum is also capitalized.
- (b) 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.

- (c) Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized if it results in enhancement of revenue earning capacity.
- (d) Upon scrapping / decommissioning of assets, these are classified in fixed assets at the lower of Net Book Value and Net Realisable Value and the resultant loss, if any, is charged to Statement of Profit and Loss.

6. Depreciation & Amortisation

- (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 provided on assets of small value in the year of purchase, other than those forming part of project, the cost of which is below ₹0.01 Million in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹0.20 Million for partitions.
- (c) Intangible assets represented by one-time upfront payment for 3G spectrum is amortized over the period of license i.e. 20 years.
- (d) Application software is amortised over the useful life of the assets which is considered as 10 years.
- (e) Value of Leasehold Land is amortized over the period of lease.

7. Inventories

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

8. 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 Statement of Profit & Loss.

9. 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.

10. Taxes on Income:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.



Deferred Tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantially enacted as on balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in the future. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Minimum Alternate Tax (MAT) credit is recognized, as an asset only when and to the extent there is convincing evidence that the company will pay normal Income Tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by The Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement.

11. Impairment of assets:

The company assesses at each balance sheet date whether there is any indication that any asset, may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to the Statement of Profit and Loss. If, at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

12. Provisions and contingent liabilities:

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and also in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation for which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent liabilities are disclosed in case of present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.



NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2014

NOTE 2

Share Capital

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10/- each	8,000.00	8,000.00
(80,00,00,000 Equity Shares of ₹10 each)		
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each	6,300.00	6,300.00
(63,00,00,000 Equity Shares of ₹10 each)		
Total	6,300.00	6,300.00
Shareholders holding more than 5% shares		

Name of Shareholders	As at 31.3.2014		As at 31.3.2013	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC of India	118514713	18.81	118515213	18.81

NOTE-3

Reserves & Surplus	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Share Premium Account		
Opening Balance	6650.05	6650.05
Addition	-	-
Deletion	-	-
Closing Balance	6650.05	6650.05
Surplus/ (Deficit)		
Opening Balance	(142,789.26)	(90,069.32)
Add: Profit during the year	78,251.31	-
Less: (Loss) during the year	-	(53,211.23)
Less: Proposed/ Final Dividend	-	-
Less: Transfer to Reserve for Debenture Redemption	(452.71)	-
Add: Transfer from Contingency Reserves	-	491.29
Closing Balance	(64,990.66)	(142,789.26)
Reserve for Contingencies*		
Opening Balance	3,457.17	3,948.46
Addition	-	-
Deletion	-	(491.29)
Closing Balance	3,457.17	3,457.17
Reserve for Research & Development		
Opening Balance	308.00	308.00
Addition	-	-
Deletion	-	-
Closing Balance	308.00	308.00
Reserve for Debenture Redemption		
Opening Balance	-	-
Addition	452.71	-
Deletion	-	-
Closing Balance	452.71	-
General Reserves		
Opening Balance	98229.79	98229.79
Addition	-	-
Deletion	-	-
Closing Balance	98229.79	98229.79
Total	44,107.06	(34,144.25)

* for Section 80-IA of the Income Tax Act, 1961.



NOTE - 4

LONG TERM BORROWINGS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
(A) Secured		
(a) Term Loans		
From Banks*	43,650.00	59,323.50
(Secured by floating first pari passu charge on all fixed and current assets)		
	43,650.00	59,323.50
(B) Unsecured		
(i) Debentures-Series 1A**	10,050.00	10,050.00
(10050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)		
(ii) Debentures-Series 2A***	19,750.00	0.00
(19750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)		
(iii) Debentures-Series 3A****	7,650.00	0.00
(7650 number of 9.39 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)		
	37,450.00	10,050.00
Total	81,100.00	69,373.50

* Terms of Repayment and Rate of Interest of Term Loan from Banks are given as under:-

Name of Bank	Amount outstanding (₹ in million)	No. of instalments	Weighted Average Rate of interest
Union Bank of India	4,550.00 (9,100.00)	4 (spread over from Aug., 2016 to Feb., 2018)	11.63%
IDBI	30,000.00 (38,500.00)	10 (spread over from Sep., 2015 to Dec., 2017)	
Punjab National Bank	0.00 (1,723.50)	NIL	
Indian Overseas Bank	9,100.00 (10,000.00)	9 (spread over from Jan., 2015 to Jan., 2019)	
TOTAL	43,650.00 (59,323.50)		

** Debentures-Series 1A

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 28.03.2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date.

*** Debentures-Series 2A

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 05.12.2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date.

**** Debentures-Series 3A

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 9.39 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 26.03.2024. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date. The liability of interest and principal thereof shall be settled by DoT (GOI).



NOTE - 5

OTHER LONG TERM LIABILITIES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Payable to BSNL	18282.54	16345.13
Security Deposits from Customers	5771.14	5815.86
Trade Payables- Non Current	947.26	570.15
Other Long Term Liabilities	7125.45	8683.79
Total	32,126.39	31,414.93

NOTE - 6

LONG TERM PROVISIONS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
(a) Provisions for Employee Benefits		
Pension- Company Employees	8325.56	96768.16
Leave Encashment- Company Employees	9033.99	8346.83
Gratuity- Company employees	576.71	0.00
Gratuity- For DoT Period	0.00	2609.13
(b) Other long Term Provision	4.17	4.17
Total	17,940.43	107,728.29

NOTE - 7

SHORT TERM BORROWINGS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
A. Loans repayable on demand		
Unsecured		
(i) From Banks- Overdrafts	43104.40	33013.37
(ii) From Banks- Short Term Loans	17000.00	13000.00
Total	60104.40	46013.37

Particulars	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Outstanding Amount	17000.00	13000.00
Weighted Average Rate of interest	10.26%	10.25%

NOTE - 8

TRADE PAYABLES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
(i) For Goods and Services	1834.67	2050.13
(ii) Due under MSMED Act	0.00	4.83
Total	1,834.67	2,054.96



NOTE - 9

OTHER CURRENT LIABILITIES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Current maturities of long term debt	900.00	2400.00
Interest Accrued but not due		
(i) On security deposits	21.15	21.79
(ii) On bonds	613.11	9.44
(iii) On borrowings- short term	236.46	219.21
(iv) On borrowings- long term	509.06	694.30
Income received in advance	1008.18	1045.49
Other Payables		
Deposits from :		
(i) Contractors	391.68	445.99
(ii) Customers	202.80	163.95
Unclaimed Bonds	0.68	0.68
Other Liabilities		
(i) For Salary & other benefits	2570.06	1683.37
(ii) GPF of MTNL optee	16194.13	14844.85
(iii) Service Taxes & withholding Taxes Payables	2308.14	2443.11
(iv) Advance received from customers	594.97	433.11
(v) Gratuity- company employees	0.00	391.10
(vi) Others	810.94	1006.94
Amount Payable:		
(i) To DoT	378.22	756.02
(ii) To contractors- other than goods & services	1187.21	1399.06
(iii) To other operators for revenue sharing (Other than BSNL)	929.60	934.76
Total	28856.39	28893.17



NOTE - 10

SHORT TERM PROVISIONS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Provision for employee benefits		
Pension contribution		
(i) Company employees	511.60	4793.43
(ii) Others	5.07	3.84
Leave Encashment		
(i) Company employees	1315.62	1039.48
(ii) Others	6.82	5.56
Gratuity- company employees	152.87	0.00
Others	0.00	9.50
Provision for Wealth tax	4.90	19.30
Less: Payment of Wealth Tax	3.36	17.65
	1.54	1.65
Total	1993.52	5853.46

NOTE - 11 TANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)				Depreciation (₹ In Million)			Net Block (₹ In Million)	
	As At 1.4.2013	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2014	As At 1.4.2013	For The Year	As At 31.3.2014	As at 31.3.2013
LAND:									
- FREEHOLD	190.48	-	-	-	190.48	-	-	190.48	190.48
- LEASEHOLD	3,190.93	2.22	-	0.26	3,192.90	459.10	33.78	2,700.06	2,731.83
BUILDING	15,896.48	1,566.66	(165.37)	-	17,297.78	5,302.94	596.61	11,373.22	10,593.55
LEASED PREMISES	53.52	-	-	-	53.52	12.31	-	40.21	41.21
LINES & WIRES	1,266.87	75.80	36.44	-	1,379.11	753.79	48.21	579.73	513.09
CABLES	74,879.76	680.10	302.30	157.84	75,704.33	56,401.59	2,166.20	17,265.17	18,478.17
APPARATUS & PLANT	92,790.56	3,086.53	(233.19)	328.42	95,315.48	60,189.03	5,152.68	30,286.07	32,601.53
VEHICLES	277.81	-	(0.77)	4.06	272.98	246.37	3.63	27.46	31.44
FURNITURE & FIXTURES	1,526.82	0.31	(0.01)	0.39	1,526.73	1,170.32	48.78	307.91	356.50
OFFICE MACHINERY & EQUIPMENTS	372.22	1.66	(0.58)	0.61	372.68	260.91	12.85	99.77	111.31
ELECTRICAL APPLIANCES	1,524.98	0.75	(0.11)	4.13	1,524.99	883.71	65.10	578.29	641.26
COMPUTERS	2,778.64	510.82	(94.56)	6.06	3,188.84	2,334.25	177.71	687.74	444.39
ASSETS SCRAPPED / DECOMMISSIONED	204.76	89.99	(170.43)	6.26	118.06	-	-	118.06	204.76
TOTAL	194,953.85	6,014.86	(326.28)	508.04	200,134.39	128,014.33	8,305.55	135,880.23	66,939.52
Previous Year	189,560.00	5,270.89	444.66	321.71	194,953.85	120,318.39	8,396.86	128,014.33	-

NOTE - 12 INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)				Amortisation (₹ In Million)			Net Block (₹ In Million)	
	As At 1.4.2013	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2014	As At 1.4.2013	For The Year	As At 31.3.2014	As at 31.3.2013
APPLICATION SOFTWARE	766.66	545.78	-	-	1,312.44	393.28	69.87	463.15	373.38
3G & BWA LICENCE FEES	110,979.70	-	(45,339.70)	-	65,640.00	29,300.77	3,282.00	18,533.96	81,678.93
TOTAL	111,746.36	545.78	(45,339.70)	-	66,952.44	29,694.05	3,351.87	18,997.11	82,052.31
Previous Year	111,746.36	-	-	-	111,746.36	23,321.49	6,372.56	29,694.05	-



NOTE - 13

CAPITAL WORK IN PROGRESS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Buildings	145.07	945.63
Apparatus & Plants	2133.83	6474.02
Lines & Wires	29.33	18.01
Cables	1117.47	1195.38
Subscribers Installations	326.39	213.80
Air Conditioning Plants	73.60	475.58
Total	3,825.69	9,322.42

NOTE - 14

NON CURRENT INVESTMENTS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
LONG TERM INVESTMENTS (UNQUOTED)		
TRADE INVESTMENTS		
(i) INVESTMENTS IN EQUITY INSTRUMENTS		
Investment in Subsidiary Companies		
MillenniumTelecom Ltd. (Un Quoted 2875880 Equity shares of ₹10 each fully paid up)	28.76	28.76
Mahanagar Telephone Mauritius Ltd. (Un Quoted 572264029 Equity Shares)	1009.70	1009.70
Investment in Joint Ventures		
United Telecom Ltd. (Un Quoted 5736200 Equity Shares of Nepali ₹ 100 (INR 62.50) each fully paid up)	358.51	358.51
MTNLSTPI IT Services Ltd. (Un Quoted 2282000 Equity shares @ ₹10 each)	22.82	22.82
(ii) INVESTMENT IN PREFERENCE SHARES		
Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, two instalment of ₹ 200000000 were due in 2012-13 and 2013-14 but still not received.	400.00	600.00
Total	1819.79	2019.79

Particulars	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	1819.79	2019.79
Total	1819.79	2019.79



NOTE - 15

LONG TERM LOANS AND ADVANCES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
SECURED, CONSIDERED GOOD		
Advances to employees		
(i) Housing Loan	425.12	578.11
(ii) Vehicle Loan	11.36	16.97
(iii) Other Loans	1.35	2.88
UNSECURED, CONSIDERED GOOD		
Capital Advance	35.26	37.86
Deposits with other Govt. Deptt. / Companies	295.45	375.74
Loans and Advances to related parties	44.79	39.96
Cenvat	37.65	71.99
Amount recoverable from DoT	84556.92	35117.57
Others		
Income Tax	10150.51	15939.07
Less: Provision for income tax	(9064.29)	(5819.13)
	1086.22	10119.94
FBT	3823.48	3518.31
Less: Provision for FBT	(257.45)	(257.45)
	3566.03	3260.86
UNSECURED, CONSIDERED DOUBTFUL		
Amount recoverable from DoT	0.10	0.10
Deposits with other Govt. Deptt. / Companies	160.71	79.57
Cenvat	0.52	0.52
Total	161.33	80.19
Less:		
Provision for Doubtful Deposits/Advances	161.33	80.19
Total	90060.15	49621.88

NOTE - 16

OTHER NON CURRENT ASSETS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
SECURED, CONSIDERED GOOD		
Interest accrued on loans and advances	756.11	876.40
Interest accrued on deposit	3.89	8.68
Bank deposits (with more than 12 months maturity)*	68.10	57.75
UNSECURED, CONSIDERED GOOD		
Receivable from BSNL	41860.40	36027.26
UNSECURED, CONSIDERED DOUBTFUL		
Receivable from BSNL	62.19	70.13
Receivable from DoT	13.87	65.45
OTHERS		
Balance with bank**	3.25	0.00
Less:		
Provision for other non current assets	76.06	135.58
Total	42,691.76	36,970.09

* includes ₹68.10 million (₹57.75 million) under lien

** under lien on court directions



NOTE - 17

CURRENT INVESTMENTS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Investment in ITI Preference shares (Unquoted)	600.00	400.00
Investment in 10000000 8.75% Un Quoted preference shares of ₹ 100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, two instalments of ₹200000000 each were due in 2012-13 and 2013-14 but still not received.		
Less: Provision for doubtful recovery of investment	400.00	200.00
Total	200.00	200.00

Particulars	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)		
Aggregate amount of unquoted investments	600.00	400.00
Total	600.00	400.00

NOTE - 18

INVENTORIES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Lines and Wires	36.23	24.83
Cables	305.53	403.39
Exchange Equipment	425.39	382.49
WLL Equipments	0.78	0.00
Telephone & Telex Instrument	217.42	187.65
WLL Instruments	156.68	156.94
Telephone & Telex Spares	1.03	1.06
Installation Test Equipment	1.85	1.85
Mobile Handset & Sim cards	29.94	31.26
Total	1,174.85	1,189.47
Less:		
Provision for obsolete stores	475.91	369.93
Total	698.94	819.54



NOTE - 19

TRADE RECEIVABLES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
UNSECURED		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
CONSIDERED GOOD	1375.49	1284.47
CONSIDERED DOUBTFUL	13.88	23.51
(b) OUTSTANDING FOR OVER SIX MONTHS		
CONSIDERED GOOD	1447.28	1931.79
CONSIDERED DOUBTFUL	6856.86	6886.03
Total	9693.51	10125.79
Less:		
PROVISION FOR DOUBTFUL DEBTS	6764.40	6299.08
PROVISION FOR WRONG BILLING	11.11	16.73
Total	2918.00	3809.98

Secured to the extent of security deposits to the tune of ₹5973.94 million (₹5979.81 million) which are under reconciliation.

NOTE - 20

CASH AND CASH EQUIVALENTS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Balances with banks	2362.54	999.14
Cheques/ Drafts in hand	18.63	56.62
Cash in hand	9.51	22.75
Bank deposits (with less than 1 year maturity)*	83.72	32.59
Total	2474.40	1111.10
Less:		
Provision for doubtful bank balances	11.29	12.21
Total	2,463.11	1,098.89

* includes Rs NIL (₹ 32.59 million) under lien

NOTE - 21
SHORT TERM LOANS AND ADVANCES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
LOANS & ADVANCES		
(1) To EMPLOYEES		
Secured, Considered good		
(i) Housing Loan	168.95	228.48
(ii) Vehicle Loan	5.58	7.97
(iii) Other Loans	1.54	4.30
Unsecured, Considered good;		
Festival, TA, LTC, Medical etc advances	593.13	572.45
(2) To OTHERS		
Unsecured, Considered good		
(i) Contractors	212.01	215.98
(ii) Advance payment of Taxes		
(a) Income Tax	0.00	429.63
(iii) Prepaid expenses	652.42	399.73
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - IUC operators	1.39	1.29
(b) Service Tax Recoverable - others	1168.72	873.86
(c) Cenvat Credit	1075.99	1050.03
(v) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	402.72	424.48
(b) DoT	9.84	0.00
(c) Others	10058.87	3217.25
UNSECURED, CONSIDERED DOUBTFUL		
Festival, TA, LTC, Medical etc advances	0.22	0.22
Contractors	65.64	64.67
Others	1119.64	305.98
Total	15536.66	7796.32
Less:		
Provision for Doubtful Claims\Advances	1185.50	370.87
Total	14351.16	7425.45

NOTE - 22
OTHER CURRENT ASSETS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
SECURED, Considered good		
Interest accrued on deposits	3.87	6.23
Interest accrued on loans and advances	144.37	96.08
UNSECURED, Considered good		
Interest accrued on Income Tax Refund	434.07	434.07
Income Tax Receivables	603.04	603.04
Unbilled Revenue	1939.42	2068.14
Total	3124.77	3207.56



NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

NOTE 23

NET REVENUE FROM OPERATIONS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
(A) Revenue From Sale of Services		
Fixed Telephone:		
FIXED MONTHLY CHARGES	5690.05	6170.66
CALLS & OTHER CHARGES	5386.57	5381.99
FRANCHISEE SERVICES	367.44	448.68
RENT & JUNCTION CHARGES- OTHERS	1199.41	2352.92
ACCESS CALLS & OTHERS CHARGES- OTHERS	999.50	1134.79
IPTV	3.69	15.18
BROADBAND	7840.00	7402.46
VCC	15.75	37.68
CIRCUITS- LOCAL	2893.27	1112.76
CIRCUITS- LONG DISTANCE	263.14	1408.92
INTERCONNECTION CHARGES	0.00	26.41
ISDN - FIXED MONTHLY CHARGES	424.17	419.51
ISDN- CALL CHARGES	365.80	332.72
MOBILE SERVICES:		
WLL-FIXED CHARGES	32.29	52.27
WLL-CALL CHARGES	13.96	25.73
INTERCONNECTION CHARGES	823.32	838.85
CELLULAR- FIXED & CALL CHARGES	1211.07	1066.30
INCOME FROM ROAMING	2570.94	2803.60
PRE-PAID INCOME	2451.79	2616.46
ACTIVATION CHARGES	2.61	3.79
VAS	515.34	101.75
OTHER SERVICES:		
INTERNET	90.20	52.34
FREE PHONE	524.25	360.36
PREMIUM RATE SERVICES	3.10	3.63
VOIP SERVICES	0.17	6.11
Miscellaneous	103.73	12.80
	33791.57	34188.67
(b) Other Operating Revenues		
Revenue from enterprise business	0.40	1.25
Surcharge on delayed payments	125.38	96.71
	125.78	97.96
Total	33,917.35	34,286.63

NOTE - 24
OTHER INCOME

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
INTEREST		
(i) From Bank	15.63	8.48
(ii) From Employees	69.91	87.00
(iii) From Others	0.84	49.64
(iv) From Income Tax Refunds	992.07	460.67
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	1.41	1.91
Profit on sale of assets	43.59	42.04
Liquidated damages	103.47	147.36
Foreign Exchange Fluctuation Gain	0.00	0.12
Bad Debts Recovered	9.93	8.36
Excess Provision Written back	1207.70	842.83
Rent on Quarters/ IQs/ Hostels & other services	82.25	86.37
Rental income from properties	836.06	646.82
Others	593.51	472.59
Total	3956.37	2854.20

NOTE - 25
EMPLOYEE BENEFITS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Salary, Wages & Other Benefits	23844.47	22602.09
Bonus / Exgratia	0.00	0.01
Medical Expenses/ Allowances	894.05	789.57
Leave Encashment		
(I) Company Employees	1869.15	2626.34
(II) Others	6.74	19.19
Pension Contribution		
(I) Company Employees	1392.14	26463.85
(II) Others	12.32	10.59
Contribution To CPF	708.59	652.09
Gratuity	192.94	737.57
Staff Welfare Expenses	9.48	26.59
Total	28,929.88	53,927.89
Less:		
Allocation To Capital Work In Progress	2775.85	4914.24
Total	26,154.03	49,013.65



NOTE - 26

REVENUE SHARING

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
REVENUE SHARING	4146.76	4508.94
Total	4,146.76	4,508.94

NOTE - 27

LICENCE FEES

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
LICENSE FEES	2095.26	2410.79
Total	2,095.26	2,410.79

NOTE - 28

ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Power, Fuel & Water	2627.41	2447.10
Rent	886.84	845.86
Repairs & Maintenance		
(1) Building	211.28	138.81
(2) Plant & Machinery	1158.75	1150.73
(3) Others	332.71	271.00
Seminar & Training Charges	10.53	6.66
Insurance	52.37	61.08
Rates & Taxes	729.97	476.19
Travelling Expenses	7.41	7.22
Postage & Courier	83.04	61.32
Printing & Stationery	72.20	82.47
Vehicle Expenses		
(I) Maintenance	8.27	8.37
(II) Running	25.27	24.62
(III) Hiring	82.73	80.47
Commission Paid To Franchisee Services	284.02	332.75
Advertising / Business Promotion Expenses	51.46	53.94
Foreign Exchange Fluctuation Loss	30.06	17.37



	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Provision For Doubtful Debts	534.47	480.77
Provision For Doubtful Recovery of Investment	200.00	200.00
Provision For Wrong Billing	0.03	0.28
Provision For Obsolete Store / Claim	104.80	30.62
Bad Debts Written Off	376.18	18.73
Professional & Consultancy Charges	57.94	45.06
Internet Charges	223.05	463.52
Loss on Sale of Assets	93.30	50.53
Loss of Assets (Other Than On Sale)	157.72	126.71
Spectrum Charges (WII)	2.65	2.40
Spectrum Charges (Ms)	441.04	499.60
Interest on Customer's Deposits	4.20	4.06
Provision for Doubtful Advances	433.79	95.01
Provision For Doubtful Claims	416.73	0.00
Miscellaneous Expenses	611.31	734.28
Total	10,311.54	8,817.52
Less:		
Allocation To Capital Work In Progress	(437.60)	1164.69
Total	10,749.14	7,652.83

NOTE - 29

DEPRECIATION & AMORTIZATION EXPENSES

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Depreciation	8305.55	8396.86
Amortization -3G Spectrum	3282.00	3280.86
Amortization -BWA Spectrum	0.00	3022.65
Amortization -Other Intangibles	69.87	69.05
Total	11,657.42	14,769.42

NOTE - 30

FINANCE COST

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Interest On Bonds	1455.12	9.44
Interest On Loan	12249.85	11780.35
Commitment Fees	164.21	1.10
Other Borrowing Costs	32.30	11.71
Total	13,901.48	11,802.60



NOTE - 31
INCOME TAX EXPENSE

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Current Tax (MAT)	4971.79	0.00
TOTAL	4971.79	0.00

NOTE - 32
PRIOR PERIOD ITEMS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Prior Period Items (Debit)		
Rent	0.00	(4.18)
Rates & Taxes	0.00	49.58
Repair To Buildings & Others	0.00	7.94
Depreciation	225.17	155.20
Others (includes ₹1871.48 million reversal of overhead from CWIP)	1925.12	(5.94)
Less:-		
Prior Period Items (Credit)		
Income From Telephone	(5.08)	8.25
Others	(0.47)	0.51
NET	2,155.84	193.84

NOTE - 33
PAYMENTS TO STATUTORY AUDITORS (Disclosure Note only)

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
(a) As Auditor	3.70	3.70
(b) For Taxation Matters	0.78	0.91
(c) For Other Services	2.17	2.08
(d) For Reimbursement of Expenses	1.09	0.94
TOTAL	7.74	7.63

NOTE - 34
EXCEPTIONAL ITEMS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Amortization of intangible assets (BWA spectrum) written back	14048.81	0.00
Provision written back - Pension and Gratuity	90133.88	0.00
Pension payout by MTNL recoverable from DoT (Net of Pension Contribution)	11026.69	0.00
Recoverable from Gratuity Trust due to reversal of liability in respect of combined service pension optees	999.93	0.00
Total	116,209.31	0.00

NOTE - 35
NOTES TO ACCOUNTS

	(₹ in Million)	
1. Contingent Liabilities	2013-14	2012-13
(a) Income Tax Demands disputed and under appeal	8703.00	13176.91
(b) Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	4541.31	5761.60
(c) (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
(d) Claims against the company not acknowledged as Debts	32271.82	32271.82
(e) Pending arbitration/court cases	10001.72	8231.50
(f) Bank guarantee & Letter of Credit	1091.28	1243.46
(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	46.07	53.78
(j) License Fee related contingent liability w.r.t. BSNL charges paid on netting basis	1403.63	1403.63
(k) Contingent Liability on account of Income Tax as shown in 1(a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed.		
2. Estimated amount of contracts remaining to be executed on capital account is ₹ 232.94 Million (Previous year ₹ 1341.83 million). 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. Change in Accounting Policy:

During F.Y. 2013-14, in case of landline services, provision to the extent of 50% has been made for debtors outstanding for more than 1 year but upto 3 years and to the extent of 100% in respect of more than 3 years but upto F.Y. 2012-13 provision was made only for debtors outstanding for more than 3 years.

Impact: The amount of ₹393.83 million has been charged to the Statement of Profit and Loss during the current year on account of provision made to the extent of 50% for debtors outstanding for more



than 1 year but up to 3 years. Due to change in the policy, the profit for the year as well as net trade receivables have been reduced to that extent.

4. In view of gazette notification no.GSR 138(E) dated 3rd March 2014 vide which pensionary benefits in respect of absorbed combined service pension optees will be paid by the Government of India, no provision has been made for the pensionary benefits viz pension and gratuity for such employees except for the amount due to difference in pay scales of MTNL and BSNL which is payable by MTNL to the Government till next wage revision by which time MTNL and BSNL shall achieve pay scale parity. However, MTNL shall make pension contribution to the Govt. as per FR-116 as in BSNL with equivalent BSNL pay scales. Earlier provision for all such employees was made on actuarial basis.

Besides, actuarial valuation is made for gratuity provision for other than combined service pension optee employees of MTNL.

5. a) The company had claimed benefit under section 80 - IA of the Income Tax Act, 1961 for the financial years from 1997-98 to 2005-06. The appellate authorities have allowed the claim to the extent of 75% of the amount claimed. The company has preferred appeals for the remaining claim before the Hon'ble Courts of Delhi. The company has retained the provision of ₹4003.32 million (₹4003.32 million) for this claim for the financial years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to ₹3457.16 million (₹ 3457.16 million) for the financial years 1999-2000 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act, 1961.
b) Income Tax receivable include appeal effect of ₹1015.43 million pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of Rs 603.03 million and interest accrued thereon amounting to ₹ 412.40 million.
c) The balances appearing in advance tax, provisions for income tax and interest on income tax refunds are subject to reconciliation with the figures of the tax records.
6. In accordance with Accounting Standard 22 – “Accounting for Taxes on Income”, the Company has deferred tax assets on account of unabsorbed depreciation and brought forward business losses as on 31.3.2014. However, there is no virtual certainty of availability of sufficient future taxable income against which the above asset can be realized. Hence, the Deferred Tax asset has not been accounted for. Deferred Tax asset shall be created in the year in which the company will have virtual certainty of future taxable income as required by AS-22 issued under the Companies (Accounting Standards) Rules, 2006.
7. The Company has provided for Minimum Alternate Tax (MAT) to the tune of ₹4971.79 million as per section 115JB of Income Tax Act, 1961. The same has been provided on provisional basis based on the estimated income and expenditure till the date the financial statements for the year 2013-14 are approved by the Board of MTNL. The same might undergo revision at the time of filing of Income Tax return of the Company for the A.Y. 2014-15. The Company is entitled for credit for Tax paid as MAT under section 115JAA of the IT Act, 1961. However the Company has no convincing evidence that it will pay normal tax during the specified period as is required to avail MAT Tax Credit entitlement. Accordingly, the same has not been recognized in the current year. The same will be reviewed at each balance sheet date and will be appropriately accounted for.

8. (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 12.01.93. A claim against the Company has been raised by Sterling Computers Ltd. for ₹ 258.2 Million which being under dispute, has not been provided for. The company has filed its counter claims of ₹ 228.7 Million before the Hon'ble High Court against Sterling/UDI/UIP and has also filed arbitration claims of ₹ 561.8 Million plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for ₹ 154.91 Million (₹ 154.91 Million) on account of royalty, interest and billing charges and on payments made through Letter of Credit; ₹130.47 Million (₹130.47 Million) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the company for interest and service charges aggregating ₹143.67 Million (₹143.67 Million) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation 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. During the financial year 2011-12, the Hon'ble High Court pass an order on 07.12.2011 directing to stop arbitration proceedings against M/s Sterling regarding the arbitration case of M/s UIP also and it is informed by learned arbitrator that this proceeding stand still in the SLP filed by UIP. However, MTNL has not received the certified copy of the order. On receipt of the same MTNL will file further to the court. The petitioner has also taken 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 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 ₹228.7 million 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 unit for a period of 5 years starting from 1993. After printing and issue of 1993 (main & supplementary) and 1994 main directory, M/s. M & N Publications Ltd terminated the contract prematurely on 04.04.1996. MTNL, Mumbai invoked Bank Guarantee on 09.04.1996 and issued Legal Notice on 22.07.1996 and terminated the contract.



Sole Arbitrator has been appointed by CMD, MTNL. The Sole Arbitrator has since given his award on 09.04.2013 partly in favor of MTNL, Mumbai. The claim and counter claim under arbitration will be accounted for in the year when the ultimate collection/payment of the same becomes reasonably certain. M/s. M & N Publications has approached the Bombay High Court against the award vide ARBP/926/2013 and MTNL also approached the Bombay High Court vide ARBPL/14/07/2013 for balance amount due and the same is in admission stage.

9. 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. Stamp Duty on the lands and buildings acquired from DOT is payable by DOT as per sale deed and in respect of properties acquired after 1.4.1986, the documentation shall be contemplated at the time of sale or disposal as and when needed.
10. 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 Million (₹ 8.10 Million). The application for amnesty towards demands aggregating ₹2.09 Million (₹2.09 Million) has been accepted. The balance applications relating to demands of ₹6.02 Million (₹6.02 Million) are under process and are not included under Contingent Liabilities.
11. a) The amount recoverable from BSNL is ₹41922.59 Million (₹ 36097.39 Million) and amount payable is ₹18282.54 Million (₹ 16345.13 Million). The Net recoverable of ₹23640.05 Million (₹19752.26 Million) is subject to reconciliation and confirmation.
 - b) Certain claims of BSNL on account of Signaling charges ₹219.30 million. (₹219.30 million), Transit tariff ₹251.90 million (₹251.90 million), MP Billing ₹60.10 million (₹60.10 million), Service Connections ₹401.48 million (₹401.48 million), IUC ₹101.40 million (₹101.40 million) and IUC from Gujrat Circle ₹11.14 million (₹11.14 million) are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary
 - c) 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 ₹ 98.01 million (₹ 98.01 million) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹312.72 million (₹312.72 million), since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of ₹ 214.72 million (₹ 214.72 million) is shown as contingent liability.
 - d) In both Delhi and Mumbai Unit an amount of ₹4428.35 million (₹3782.25 million) and ₹4630.63 million (₹ 2748.67 million) has been accounted as receivable and payable from BSNL respectively on account of IUC charges which is included in the recoverable & payable amounts as shown above.
 - e) During the year in Delhi Unit out of the Access calls and other charges ₹44.59 million (Rs 76.94 million) towards interconnect charges on rate prescribed by TRAI in IUC regulation in the absence of any interconnect agreement between MTNL & BSNL. BSNL is also charging the same and the claim raised by both parties are under dispute. Direct connectivity traffic expenditure with BSNL has been booked on the basis of billing system of Delhi Unit.



- f) During the year an amount of ₹380.72 million (₹ 1296.55 million) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL and ₹2.91 million (₹ 3.27 million) is payable to BSNL in case of Mumbai Unit.
- g) During the year an amount of ₹261.10 million (₹ 184.02 million) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.
12. As per directions of the Hon'ble Delhi High Court one UASL operator had paid to MTNL, Mumbai ₹1249.30 million and ₹339.90 million in 2004-05 and 2005-06 respectively against the claim of ₹1589.20 million. The company has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for reconciliation of the bills. The Company has filed a Civil Appeal and application for stay of operation of the order of TDSAT in the Hon'ble Supreme Court of India in which Supreme Court directed on 08.05.2014 that TDSAT will review the impugned order on seeking of it by appellant and the same is in process.
13. The Bank Reconciliation Statements as at 31st March 2014 include unmatched/unlinked credits/debits given by the banks in the Mumbai, Delhi and Corporate office units' bank accounts amounting to ₹ 14.78 million (₹ 2.40 million) and ₹ 16.26 million (₹ 1.41 million) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.
14. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹1000 Million 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 ₹200 Million each, aggregating to ₹1000 Million 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. The installments which were due in 2012-13 and 2013-14 have not been paid and necessary provision for the overdue installments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments made by M/S ITI and as funds will be made available after budget 2014-15 is passed and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7-5-2014 informed that upon receipt of the financial assistance from the Govt. the redemption process would be initiated.
15. Amount recoverable on current account from DOT is ₹84580.73 Million (₹ 35183.13 Million) and amount payable is ₹378.22 Million (₹756.02 Million). The net recoverable of ₹84202.51 Million (₹34427.11 Million) is subject to reconciliation and confirmation.

Deposits from applicants and subscribers as on 31st March, 1986 were ₹813.21 million in Mumbai unit as intimated provisionally by DOT. At the year end these deposits amounted to ₹1032.79 million (₹1032.79 million), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31st March, 1986. Out of the said amount of ₹1032.79 million, claims of ₹597.94 million (₹597.94 million) have been settled and ₹434.85 million (₹434.85 million) is due at the end of the year.

In case of Delhi Unit, balance on this account still recoverable is ₹123.60 million (₹123.60 million).



16. a) The balance in the Subscribers' Deposit Accounts is to the tune of ₹5973.94 million (₹ 5979.81 million). Out of this balance in Delhi Unit an amount of ₹ 2931.21 Million (₹ 3017.12 Million) on account of subscriber deposits is under reconciliation.
- b) The reconciliation of deposits pertaining to Mumbai unit is done and on reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS), an amount of ₹1348.04 million (₹1348.04 million) was found excess in financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.
- c) Interest Accrued and Due on the aforesaid subscriber deposit accounts for both the units of ₹21.15 Million (₹ 21.80 Million) is subject to reconciliation with the relevant subsidiary records.
- d) In Mumbai unit, on reconciliation of balance outstanding under refund due to subscribers account with actual amount due for refund, ₹371.28 million (₹371.28 million) was identified as excess liability appearing in the financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.
- e) Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹212.42 Million (₹ 420.30 Million), 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.
- f) The balance of sundry debtors as per ageing summary under subsidiary records is lower by ₹66.56 million (₹ 73.83 million) as compared to the balance in general ledger and is under reconciliation. The resultant impact of the above on the account is not ascertainable.
17. License fee on the Adjusted Gross Revenue (AGR) was calculated and accounted for on accrual basis in respect of both revenue and revenue sharing with other operators till 2011-12. As per the directions of Supreme Court given earlier in respect of calculation of License Fees and AGR the matter has been referred back to TDSAT and is pending in respect of other private telecom operators. However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement. In respect of revenue sharing with BSNL, the issue has been taken up with DOT while paying License Fees on actual payment basis from 2012-13 onwards. The impact of ₹1403.63 Million on this account upto the year 2011-12 has been shown as contingent liability and issue is also taken up with BSNL and DOT by MTNL.

18. In case of Mumbai Unit, the balances with non-scheduled banks comprise of:

Sl. No.	Name of the Bank and Branch	Balance as on 31st March, 2014 (₹)	Maximum balance during the year ended 31st March, 2014 (₹)
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	35,445	35,445
(account closed, considered doubtful)	(35,445)	(35,445)

19. Pending final settlement, the following have not been accounted for in Mumbai Unit:

	2013-14 (₹ in million)	2012-13 (₹ in million)
a) Customs duty refund claims	53.21	53.21
b) Insurance claims due to theft	50.58	744.46
c) Refund claimed from BMC (Sewerage Tax, etc)	30.20	30.15

20. MTNL Mumbai has received claims from M/s. BEST, Electricity supply provider categorizing MTNL at Commercial tariff instead of Industrial tariff. The claim has been made with retrospective effect for the period Feb-2007 to May-2009 in respect of HT connection and Jan-2002 to Apr-2011 in respect of LT connection. MTNL has represented to BEST for reconsideration which has not been accepted by BEST. Hence MTNL has approached Hon'ble Mumbai High Court and got a stay on the arrears claimed by BEST amounting to ₹208.20 million. In the opinion of the management, there is remote possibility of the case being settled against MTNL.

21. a) Consequent upon the decision of Govt. to take over the liability of pensionary benefits of combined service pension optees, out of the total Gratuity provision of ₹14181.74 million, the provision to the extent of 3062.74 millions for the period upto 31-03-2014 is retained towards the liability of employees other than combined service pension optees and ₹729.58 million for Combined pension optees to meet the liability due to difference in BSNL and MTNL pay scales. The remaining excess provision pertaining to the combined service pension optees is written back. As on 31.03.2014 ₹ 3062.74 Millions (₹14181.74 millions) is to be retained by the Gratuity Trust and excess amount to the extent of ₹8001.60 million is to be returned to MTNL out of its corpus being the amount pertaining to the combined service pension optees available with it due to the above decision of Government of India.

Similarly out of the total pension provision in the books as on 31.03.2013 of ₹101561.59 million, only ₹8837.16 million has been retained to meet out the liability due to difference in MTNL and BSNL pay scales.

b) The total provision for Leave Encashment is ₹10349.61 Million up to 31.3.2014 (₹ 9386.31 Million). Out of this, an amount of ₹ 653.68 Million (₹ 653.68 Million) and ₹ 433.74 Million (₹ 433.74 Million) is recoverable, from DOT in respect of Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.

c) An amount of ₹ 15140.82 Million (₹ 14732.72 Million) towards GPF contribution is recoverable from DOT as on 31.3.2014. 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) In view of the Government of India decision for payment of pensionary benefits to Combined service pension optees as in the case of BSNL as per which the payment of pensionary benefits will be made by Govt. as per the BSNL pay scales. Correspondingly MTNL will pay pension contribution as per the BSNL pay scales to DOT. The difference in pensionary benefits on account



of difference in BSNL and MTNL pay scales to combine service pension optees will be borne by MTNL.

Gratuity provision for other than combined service pension optee employees of MTNL, and Leave Encashment provision for all of the employees of MTNL has been made on the basis of actuarial valuation.

22. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary in nature.
23. 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.
24. Certain claims in respect of damaged/lost fixed assets and inventory has been lodged with Insurance Companies by MTNL 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.
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 and Guest Houses are valued at original value for the purpose of wealth tax provisions.
27. Exceptional items of ₹116209.31 million (NIL) appearing in the Statement of Profit & Loss Account represent the following :

S.No.	Nature of item	2013-14	2012-13
1	Provision written back – Pension & Gratuity	90133.88	–
2	Pension payout by MTNL recoverable from DOT (Net of pension contribution)	11026.69	–
3	Recoverable from gratuity trust due to reversal of liability in r/o combined service pension optees	999.93	–
4	Amortization of intangible assets (BWA spectrum) written back	14048.81	–
Total		116209.31	–

Pension/Gratuity provision has been written back consequent on the issue of Notification by DOP & PW vide GSR No.138 (E) dt.03/03/2014 granting pensionary benefits by the Government to erstwhile Government employees absorbed in MTNL and opted for pension on combined service in the same manner as in BSNL.

Pension payouts (net of pension contribution) made by MTNL on behalf of DOT for the period from 01.10.2000 to 31.03.2013 have been written back in view of aforesaid notification.

Recoverable from Gratuity Trust is due to reversal of liability in respect of Combined Service Pension optee employees of MTNL in view of aforesaid notification.



Amortised amount of BWA Spectrum upto F.Y. 2012-13 has been written back during the year consequent to the decision of the Government of India to refund the one time entry fees for spectrum for BWA services initially allotted to MTNL consequent upon its return by MTNL. The Company had capitalized the one time spectrum fees for BWA services to the tune of ₹45339.70 Millions during the year 2009-10. The Company had amortized an amount of ₹ 14048.81 Million in the books up to F.Y.2012-13. The amount of ₹45339.70 million has been shown as recoverable from DoT.

28. In respect of Mobile Services Delhi, a sum of ₹ 258.94 Million (₹ 258.94 Million) claimed by TCL towards 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 international numbering plan of the respective countries and are not approved destinations as per approved interconnect agreement. Further these calls have 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 units have shown the above as contingent liability. The matter has been handed over to committee for investigation.
29. Disclosures pursuant to Para 5(viii) of General Instructions for preparation of Statement of Profit & Loss Account under Revised Schedule VI of the Companies Act, 1956:
- (a) Value of Imports calculated on C.I.F. basis
- | | | |
|-------|----------------------------|-------|
| (i) | Raw Material | - Nil |
| (ii) | Components and Spare Parts | -Nil |
| (iii) | Capital Goods | -Nil |
- (b) Expenditure in Foreign Currency
- | | | |
|-------|---------------------------------|-----------------------------------|
| (i) | Professional & Consultancy Fees | = ₹ NIL(₹ 1.25 million) |
| (ii) | Travel | = ₹ NIL (₹0.30 million) |
| (iii) | Others | = ₹44.48 million (₹42.54 million) |
- (c) Earning in Foreign Exchange(roaming) = ₹87.48 million (₹105.89 million)
- (d) Consumption of stores is included under the normal heads of Capital Expenditure and/or Repairs & Maintenance, and the issue of imported and indigenous items are not separately priced/ identified.
30. (a) In case of Delhi Unit NIL (₹4.83 million) is outstanding against Micro, Small and Medium enterprises as defined in the Micro, Small and Medium Enterprise Development Act, 2006, to whom the company owes dues as at 31.3.2014. No interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.

The details of amount outstanding to Micro, Small and Medium Enterprises based on available information with the company are as under:-



Particulars	(₹ In Million)	
	2013-14	2012-13
(1) Principal amount due and remained unpaid	NIL	4.83
(II) Interest due on above and unpaid interest	NIL	NIL
(III) Interest Paid	NIL	NIL
(IV) Payment made beyond the appointed day during the year	NIL	NIL
(V) Interest due and payable for the period of Delay	NIL	NIL
(VI) Interest accrued and remaining unpaid	NIL	NIL
(VII) Amount of further interest remaining due And payable in the succeeding year	NIL	NIL

(b) In case of Mumbai Unit, there is no reported Micro, Small and Medium enterprise as defined in the MSMED Act, 2006, to whom the company owes dues.

31. Employee Benefits -AS-15(R)

I. During the year, the Company has recognized the following amounts in the Statement of Profit and Loss.

Particulars	(₹ In Million)	
	2013-14	2012-13
Employer Contribution to Provident Fund*	708.59	652.09
Leave Encashment Contribution for DOT employees**	7.61	19.19
Pension Contribution for DOT employees***	12.32	10.59
Pension Contribution for Company employees****	1392.14	NIL

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

****Mentioned as Pension contribution-Company Employees

Particulars	(₹ In Million)			
	2013-14		2012-13	
	Gratuity*	Pension	Gratuity*	Pension
Current Service Cost	188.75	–	613.23	2263.04
Interest Cost	1151.56	–	1119.80	6414.11
Expected Return on Plan Assets	(1148.44)	–	(1039.62)	–
Actuarial(gain)/loss	(346.04)	–	(710.07)	17786.70
Past Service Cost	–	–	–	–



Curtailment and Settlement Cost/(Credit)	-	-	-	-
Net Cost	(154.18)	-	(16.66)	26463.85
Benefits paid during the year	(1508.62)	-	(1227.97)	(3893.72)

*Mentioned as Gratuity for other than combined service pension optee employees in 2013-14 while in 2012-13 for all company employees.

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

Particulars	2013-14		2012-13	
	Gratuity	Pension	Gratuity	Pension
Discount Rate	8.50%	-	8.12%	8.12%
Salary/pension Escalation	3.50%	-	3.50%	3.50%
Future DA increase	4.00%	-	4.00%	4.00%
Current Expected rate of Return on Plan Assets	8.00%	-	8.00%	-

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

a) Benefit obligations.

(₹ In Million)

Particulars	2013-14		2012-13	
	Gratuity	Pension	Gratuity	Pension
Projected benefit obligation at beginning of the year	14181.74	-	13790.64	78991.46
Interest Cost	1151.56	-	1119.80	6414.11
Current Service Cost	188.75	-	613.23	2263.04
Past Service Cost	-	-	-	-
Benefit Paid	(1508.62)	-	(1227.97)	(3893.72)
Actuarial (Gain)/loss on obligations	(494.55)	-	(113.97)	17786.70
Projected benefit obligation at end of the year	3062.74	-	14181.74	101561.59

b) Plan Assets

(₹ In Million)

Particulars	Gratuity	
	2013-14	2012-13
Fair Value of plan assets at beginning of year	14355.54	12995.26
Expected Return on Plan Assets	1148.44	1039.62
Contributions	(2609.13)	952.52
Benefit Paid	(1508.62)	(1227.97)
Actuarial gain/(loss) on Plan Assets	(148.51)	596.11



Fair Value of Plan Assets at the end of the year	11237.72	14355.54
Actual return on plan assets	999.93	1635.72
Total expenses recognized during the year	(154.18)	(16.66)

IV. Category of Investment in Gratuity trust as on 31.03.2014.

	(₹ In Million)	
Particulars	Amounts	
Government of India Securities	3539.83	(3568.03)
Corporate Bonds	3976.16	(4440.13)
State Govt. Securities	3297.44	(2676.98)
Others	424.29	(3670.40)
Total	11237.72	(14355.54)

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, the Actuary has used 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.

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



33. Information regarding Primary Business Segments: - AS - 17 (₹ in Million)

S.No.	Particulars	Year Ended 31.3.2014 (Audited)	Year Ended 31.3.2013 (Audited)
1.	Revenue from Operations		
	Basic & other Services	26,456.82	26,961.09
	Cellular	7,668.81	7,593.17
	Unallocable	0.00	(0.69)
	Total	34,125.63	34,554.26
	Less: Inter unit Revenue- Basic	162.76	213.30
	Less: Inter unit Revenue- Cellular	45.53	54.33
	Net Revenue from Operations	33,917.35	34,286.63
2.	Segment result before interest income, exceptional items, finance cost, prior period items and tax		
	Basic & other Services	46,853.88	(31,367.78)
	Cellular	(1,050.52)	(4,797.60)
	Unallocable	(63,810.70)	(5,655.20)
	Total	(18,007.34)	(41,820.58)
	Add: Exceptional items	116,209.31	0.00
	Add: Interest Income	1,078.45	605.79
	Less: Finance cost	13,901.48	11,802.60
	Less: Prior period items	2,155.84	193.84
	Profit/ (Loss) before tax	83,223.11	(53,211.23)
	Less: Provision for Current & Deferred tax	4,971.79	0.00
	Less: Taxes for earlier period(s) written back/paid	0.00	0.00
	Profit/ (Loss) after tax	78,251.32	(53,211.23)
3.	Capital Employed		
	(Segment Assets - Segment Liabilities)		
	Basic & other Services	52,140.61	(42,574.37)
	Cellular	62,764.89	59,658.89
	Unallocable	(64,498.42)	(44,928.77)
	Total	50,407.07	(27,844.25)

Notes:-

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.

4. Finance cost is not allocated segment wise and is considered on over all basis.

34. Related Parties Disclosure under AS-18

a) List of Related Parties and Relationships (as identified by the management and relied upon by the auditors)

Party	Relation
Millennium Telecom Limited	Wholly owned Subsidiary
Mahanagar Telephone Mauritius Ltd. Subsidiary	Wholly owned
United Telecom Limited	Joint Venture
MTNL STPI IT Services Ltd.	Joint Venture

b) Key Management Personnel

Mr. A.K. Garg	C.M.D.
Mr. P. K. Purwar	Director (Finance) from 01.06.2013
Mrs. Anita Soni	Director (Finance) upto 31.05.2013
Mr. Sunil Kumar	Director (HR)
Mr. B K Mittal	Executive Director, Delhi
Mr. Peeyush Aggarwal	Executive Director, Mumbai
Mr. A.K. Srivastava	CGM, WS, Mumbai
Mr. D. P. Singh	CGM, WS, Delhi

c) Related Party Transactions

	(₹ In Million)		
Transactions	Subsidiary	Joint Venture	Key Management Personnel
Remuneration Paid	-	-	15.45 (11.39)
Loans & Advances	41.95 (37.17)	2.85 (2.79)	-

35. Earning/(Loss) Per Share - AS - 20

1) Profit after Tax	₹ 78251.32 Million {₹(-)53211.23 Million}
2) Number of Shares	630 Million
3) Nominal value of shares	₹ 10/-
4) Basic/ diluted EPS	₹ 124.21 {₹(-)84.46}

36. 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, on the basis of the company as a whole as a CGU.



37. 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 Services Limited (Joint Ventures) are consolidated in accordance with the Accounting Standard – 21 and Accounting Standard – 27 respectively.

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:-

(₹in million)

Name of JV & Subsidiary	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	64.75	136.24	(71.49)	283.52	283.52
MTNL STPI IT Services Ltd.	20.20	17.46	2.74	28.02	28.02
Millennium Telecom Limited	1.84	3.74	(1.90)	57.78	57.78
Mahanagar Telephone Mauritius Limited	761.00	767.00	(6.00)	2053.01	2053.01
Total	847.79	924.44	(76.65)	2422.33	2422.33

38. Based on expert opinion, the company has not been deducting tax deducted at source on IUC services rendered by BSNL.

39. Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in the calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL proposed to surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. D.O.T. has been apprised of the same and the matter is still under correspondence. Apart from this, the issue of charges for spectrum given on trial basis is also to be decided. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability.

Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to D.O.T. , no provision is made in the books of accounts as the amount is totally indeterminable. However the contingent liability of ₹32057.10 million is shown on the basis of the demand raised by D.O.T.in respect of GSM.

40. The matching of billing for roaming receivables / payables with the actual traffic intimated by the MACH is being done. Further the Roaming Income is booked on the basis of actual



invoices raised by MACH on behalf of MTNL. Similarly the Roaming Expenditure is booked on the basis of actual invoices received by MTNL from MACH on behalf of the other operators. However, regarding collection, the payment is directly made in the bank by the other operators. The payment is made by various operators and for varying periods. The collection received from the operators are matched in totality against the total bill wise but the allocation of collection to individual operator's account is pending in the absence of detailed information which is being sought. Therefore although the Roaming Income and Expenditure are booked on actual basis, however in the absence of detailed information, the roaming debtors are reconciled in totality. Efforts are being made to allocate the collection on individual basis.

41. In view of losses, Debenture Redemption Reserve had not been created for the financial year 2012-13 in respect of 8.57% Redeemable Non-Convertible Debentures (in the form of Bonds). However, during the current year, provision for DRR have been made to the extent required under the Companies Act, 1956 and related rules etc. in this regard. During the current financial year the Company has created DRR to the tune of ₹452.71 million which includes the provision for DRR pertaining to F.Y.2012-13.
42. As per the accounting policy, Bonus/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company. However, during the current year, no provision for Bonus/ Exgratia has been made. The profits for the current year accrued not on account of increase in productivity but on the reversal of accounting entries made during the previous accounting period(s).
43. In Delhi MS unit, IUC-SMS Income and Expenditure for eight months amounting ₹20.86 Millions and ₹ 124.67 Millions respectively has been accounted for on provisional basis due to non-processing of data for technical problems.
44. Figures have been rounded off to the nearest million. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.

Sd/-
(S.R. Sayal)
Company Secretary

Sd/-
(K A Sarma)
DGM(A/cs)

Sd/-
(P.K. Purwar)
Director (Fin.)

Sd/-
(A.K. Garg)
**Chairman & Managing
Director**

For V.K. Dhingra & Co.
Chartered Accountants
FRN No.000250N

For Arun K.Agarwal & Associates
Chartered Accountants
FRN No.003917N

Sd/-
Lalit Ahuja
(Partner)
Membership No. 085842

Sd/-
Vimal Kumar Jain
(Partner)
Membership No. 086657

Place : New Delhi

Date : 30/5/2014



MAHANAGAR TELEPHONE NIGAM LIMITED

Cash Flow Statement for the year ended 31st March 2014

[Pursuant to Clause 32 of the equity Listing Agreement (as amended)]

	2013-14 (₹ in Million)	2012-13 (₹ in Million)
A. Cash Flow from Operating Activities		
Net profit/ (loss) before Tax	85,378.94	(53,017.40)
Adjustment for:		
Prior period adjustment (net)	(1,930.67)	(38.64)
Profit on sale of fixed assets	(43.59)	(42.04)
Loss on sale of fixed assets	93.30	50.53
Depreciation & Amortisation	11,657.42	14,769.42
Finance Cost	13,901.48	11,802.60
Interest Income	(1,078.45)	(605.79)
Operating cash profit/ (loss) before working capital changes	107,978.44	(27,081.32)
Adjustment for:		
Trade and other receivables	(61,348.19)	(5,984.09)
Inventories	120.60	186.08
Trade and other payables	(93,428.35)	28,759.75
Cash generated from operations	(46,677.50)	(4,119.57)
Direct Taxes paid/adjusted (Net)	4,186.28	377.08
Net Cash Flow from Operating Activities	(42,491.22)	(3,742.49)
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including Capital WIP)	(1,282.85)	(6,727.25)
Sale of fixed assets	31,629.59	51.60
Interest received	1,157.59	866.14
Investments	(0.00)	2,500.00
Net Cash Flow from Investing Activities	31,504.34	(3,309.51)
C. Cash Flow from Financing Activities		
Proceeds from borrowings	25,817.53	18,911.94
Finance Charges (including interest) paid	(13,466.44)	(11,629.37)
Net Cash Flow from Financing Activities	12,351.09	7,282.57
D. Net Increase/ (Decrease) in Cash and Cash Equivalent	1,364.21	230.56
Cash and Cash equivalent as at the beginning of the year	1,098.89	868.33
Cash and cash equivalent as at the end of the year	2,463.10	1,098.89
Cash and cash equivalent as at the end of year represented by		
Cash in hand (including cheques/drafts in hand)	28.14	79.37
Balance with bank in current account (net of provisions)	2,351.24	986.93
Balance with bank in Fixed Deposit account	83.72	32.59
TOTAL	2,463.11	1,098.89

Note:

1. Previous year figures have been regrouped/rearranged wherever necessary

For V.K. Dhingra & Co.

Chartered Accountants

FRN: 000250N

sd/-

(Lalit Ahuja)

(Partner)

M.No. 085842

For Arun K. Agarwal & Associates

Chartered Accountants

FRN: 003917N

sd/-

(Vimal Kumar Jain)

(Partner)

M.No. 086657

sd-

(S.R. Sayal)

(Co. Secy)

sd/-

(P.K. Purwar)

Director

(Finance)

sd-

(K.A. Sarma)

DGM (Accounts)

sd-

(A.K. Garg)

Chairman & Managing

Director

Place : New Delhi

Date : 30th May, 2014



ARUN K AGARWAL & ASSOCIATES
Chartered Accountants
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Chartered Accountants
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Fax : 011- 23549789

INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,
The Board of Directors
Mahanagar Telephone Nigam Limited.

We have audited the accompanying consolidated financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED** ("the Company"), its subsidiaries and joint ventures, which comprise the Consolidated Balance Sheet as at 31st March, 2014, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the Accounting Standards notified under the Companies Act, 1956 ("the Act") read with the General Circular 15/2013 dated 13th September 2013 of the Ministry of Corporate Affairs in respect of Section 133 of the Companies Act, 2013. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view 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 the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Adverse Opinion

- (i) The company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 23640.05 million is subject to reconciliation and confirmation. In view of non reconciliation/ confirmation and also in view of various pending disputes regarding each other's claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated financial statements of the company. (Also refer point no.12 of note no.35A to the consolidated financial statements).*
- (ii) The company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 84202.51 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated financial statements of the company. (Also refer point no.16 of note no.35A to the consolidated financial statements).*
- (iii) Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of ₹ 1403.63 million instead of actual liability resulting in under statement of current liabilities and over statement of profit to that extent. (Also refer point no.18 of note no.35A to the consolidated financial statements).*

- (iv) *The Company continues to allocate the establishment overheads towards capital works on estimated basis. In view of the basis being not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" issued under the Companies (Accounting Standards) Rules, 2006, the same results into overstatement of capital work in progress/ fixed assets and overstatement of profits. The actual impact of the same on the consolidated financial statements for year is not ascertainable and quantifiable. (Also refer note no.25A and 28A to the consolidated financial statements).*
- (v) *No adjustment has been considered on account of impairment loss during the year, with reference to AS-28 "Impairment of Assets" issued under Companies (Accounting Standards) Rules, 2006. In view of uncertainty in achievement of future projections made by the company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the profit for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer point no. 37 of note no.35A to the consolidated financial statements).*
- (vi) *To work out the liability towards wealth tax, vacant land and guest houses/inspection quarters are taken at their book values instead of valuation the same as per Wealth Tax Act / Rules resulting into over statement of profit resulting from lower wealth tax and also corresponding understatements of liabilities. In the absence of valuation as at the year end, we are not in a position to ascertain and quantify the impact thereof on consolidated financial statements. (Also refer point no. 27 of note no.35A to the consolidated financial statements).*
- (vii) *Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated financial statements is not ascertainable and quantifiable. (Also refer point no. 24 of note no.35A to the consolidated financial statements).*
- (viii) *Dues from the operators are not taken into account for making provision for doubtful debts. Also no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no. 3(b) of note no. 1A to the consolidated financial statements).*
- (ix) (a) *In Delhi Unit, reconciliation of balances of customer's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated financial statements cannot be ascertained and quantified at present. (Also refer point no. 17(a) of note no.35A to the consolidated financial statements).*

- (b) *Unlinked credit of ₹ 212.42 million on account of receipts from subscribers against billing by the company which could not be matched with corresponding receivables are appearing as liabilities in the consolidated balance sheet. To that extent, both assets and liabilities are overstated. (Also refer point no. 17(e) of note no.35A to the consolidated financial statements).*
- (c) *The aggregate balance of trade receivables as per the ageing summary in subsidiary records is lower by ₹ 66.56 million as compared to the balance in general ledger and is under reconciliation. The same has been provided for. Pending reconciliation, the impact of the same on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no. 17(f) of note no.35A to the consolidated financial statements).*
- (x) *In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH; invoice wise reconciliation of the roaming debtors is pending. Pending such reconciliation, the impact of the same on the consolidated financial statements can not be ascertained and quantified. (Also refer point no.41 of note no.35A to the consolidated financial statements).*
- (xi) *Fixed assets are generally capitalized on the basis of completion certificates issued by the engineering department. Due to delays in issuance of the completion certificates, there are cases where capitalization of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalized in the consolidated balance sheet cannot be ascertained.*
- (xii) *Pending reconciliation of income from recharge coupons/ITC cards/prepaid calling cards and stock of such coupons/cards, the impact thereof on the consolidated financial statements cannot be ascertained and quantified.*
- (xiii) *The Company had invested ₹ 1000 million in 8.75% Cumulative Preference Shares of M/ S. ITI Limited during the year 2001-02. As per the terms of allotment, the said preference shares were to be redeemed in five equal installments. As per letter no. U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the said preference shares was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. has failed to meet its rescheduled obligation in respect of first two installment of ₹ 200 million each payable in 2012-13 & 2013-14. Since M/s. ITI Ltd. has not complied with even rescheduled commitments, the Company has made a provision for the first two installment of ₹ 400 million only instead of providing for full investment of ₹ 1000 million. This has resulted into over statement of profit by ₹ 600 million and overstatement of non current investments by ₹ 400 million and also overstatement of current investments by ₹ 200 million. (Also refer point no. 15 of note no.35A to the consolidated financial statements).*



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

(xv) *Department of Telecommunication (DOT) had raised a demand of ₹ 33131.50 million in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.*

As explained the demand for spectrum usage for CDMA has been revised by ₹ 1074.40 million on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹ 32057.10 million has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the consolidated financial statements of the Company. (Also refer point no. 40 of note no.35A to the consolidated financial statements).

(xvi) *Segment Assets and Segment Liabilities in respect of primary segment have not been ascertained and disclosed by the Company. In the absence of required information, we are not in a position to ascertain and quantify the impact of the same on segment results. (Also refer point no. 34 of note no.35A to the consolidated financial statements).*

(xvii) *Other current assets include claim of Income tax refund for F.Y. 1999-2000 of ₹ 1015.43 million arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department . This includes tax amount of ₹ 603.03 million and interest accrued thereon amounting to ₹ 412.40 million. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the consolidated financial statements of the Company.*



(xviii) *The balances appearing in the advance tax/income tax receivable / tax deducted at source / interest on income tax and provisions for taxes are subject to reconciliation with the tax records. Pending reconciliations we are not in a position to comment on the correctness of the same and consequential impact of the same on the consolidated financial statements of the Company.*

(xix) *In respect of absorbed combined service pension optee employees of MTNL, part of the pensionary benefits paid in the earlier years were capitalized along with the capital work in progress. However while reversing the same in the current year in view of the same having been taken over by Govt. of India as per notification dated March 03, 2014, capitalized portion of earlier years has also been taken to Statement of Profit and Loss and reflected as part of exceptional items without decapitalising the portion capitalized in earlier years. In the absence of details pertaining to previous years, we are not in a position to comment on the impact of the same on the consolidated financial statements.*

In the absence of information, the effect of which can not be quantified, we are unable to comment on the possible impact of the items stated in the point nos.(i), (ii), (iv), (v), (vi), (vii), (viii), (ix)(a),(ix)(c), (x), (xi), (xii),(xiv), (xv), (xvi), (xvii), (xviii) and (xix) on the consolidated financial statements of the company for the year ended on 31st March 2014.

We further state that without considering the impact of items stated in preceding para, the effect of which could not be determined, had the observations made by us in point nos (iii),(ix)(b) and,(xiii)) been considered in the consolidated financial statements, profit for the year would have been ₹76203.57 million as against the reported figure of ₹78207.20 million in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 2830.17 million as against the reported figure of ₹3042.59 million, Non Current Investments and Current Investments would have been ₹nil million and ₹nil million as against the reported figures of ₹ 400 million and ₹ 200 million respectively, Other Current Liabilities would have been ₹30176.46 million as against the reported figure of ₹28985.25 million in the consolidated Balance Sheet.

Qualified Opinion

In our opinion and to the best of our information and according to the explanation given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and joint ventures as noted below, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:



- a) *in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;*
- b) *in the case of the Consolidated Statement of Profit and Loss, of the Profit of the Company for the year ended on that date; and*
- c) *in the case of the Consolidated Cash Flow Statement, of the cash flows of the Company for the year ended on that date.*

Emphasis of Matters

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

- (i) Point no.6 of note no. 35A to the consolidated financial statements regarding non provision of pensionary benefits viz. pension and gratuity in respect of absorbed combined service pension optees to be paid by the Govt. of India vide gazette notification no.GSR 138(E) dated 3rd March 2014.
- (ii) Point no.23 of note no.35A to the consolidated financial statements regarding non provision of diminution in the value of investments in joint ventures/subsidiary as these diminutions are considered temporary in nature.
- (iii) Point no.7(a) of note no.35A to the consolidated financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.
- (iv) Point no.9(b) of note no.35A to the consolidated financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.
- (v) Point no. 39 of note no.35A to the consolidated financial statements regarding non deduction of tax at source for IUC services rendered by BSNL based on the expert opinion taken by the Company.
- (vi) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no.19A to the consolidated financial statements).

- (vii) Amount receivable from BSNL has been reflected as loans and advances instead of bifurcating the same into trade receivables and other receivables. (Also refer note no.16A to the consolidated financial statements).
- (viii) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Schedule VI of the Companies Act, 1956 has not been made by the Company in the consolidated financial statements.
- (ix) Point no. 17(b) of note no.35A to the consolidated financial statements regarding impact if any, arising out of reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS) in Mumbai Unit.
- (x) Point no. 17(d) of note no.35A to the consolidated financial statements regarding impact if any, arising out of reconciliation of Balance outstanding under refund due to subscribers account with actual amount due for refund in Mumbai Unit.
- (xi) Point no. 28 of note no. 35A to the consolidated financial statements regarding exceptional items to the tune of ₹ 116209.31 million accounted for during the year.

Other matters

We did not audit the financial statements of Mahanagar Telephone (Mauritius) Limited, a subsidiary of the company whose financial statements reflect total assets (net) of ₹ 1901.12 million as at 31st March, 2014, total revenues of ₹ 761.00 million and net cash flows amounting to ₹ (15.41) million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of this subsidiary, is based solely on the report of the other auditor.

We did not audit the financial statements of MTNL STPI IT Service Limited, a joint venture of the company whose financial statements reflect total assets (net) of ₹ 28.02 million as at 31st March, 2014, total revenues of ₹ 20.20 million and net cash flows amounting to ₹ 3.74 million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose report has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of this joint venture, is based solely on the report of the other auditor.

We did not audit the financial statements of Millennium Telecom Limited a subsidiary of the company and United Telecom Limited a joint venture of the company whose financial statements reflect total assets (net) of ₹ 341.29 million as at 31st March, 2014, total revenues of ₹ 66.59 million and net cash flows amounting to ₹ (2.34) million for the year ended on that date as



considered in the consolidated financial statements. These financial statements have not been audited by us or by other auditors. The financial statements of subsidiary and joint venture have been incorporated as certified by the management. Our opinion, in so far as it relates to the amounts included in respect of this subsidiary and joint venture, is based solely on the certification of management.

Our opinion is not qualified in respect of other matters.

For Arun K. Agarwal & Associates

Chartered Accountants

FRN – 003917N

sd/-

(Vimal Kumar Jain)

(Partner)

(Mem. No. 086657)

For V.K. Dhingra & Co.

Chartered Accountants

FRN – 000250N

sd/-

(Lalit Ahuja)

(Partner)

(Mem. No. 085842)

Place: New Delhi

Date: MAY 30, 2014



MAHANAGAR TELEPHONE NIGAM LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2014

Particulars	Note No.	As at 31.3.2014 (₹ in Million)	As at 31.3.2014 (₹ in Million)
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share Capital	2A	6,300.00	6,300.00
Reserves & Surplus	3A	44,127.37	(34,181.32)
NON - CURRENT LIABILITIES			
Long Term Borrowings	4A	81,100.00	69,373.50
Deferred Tax Liabilities		18.42	17.88
Other Long Term Liabilities	5A	32,135.78	31,419.08
Long Term Provisions	6A	17,940.42	107,728.29
CURRENT LIABILITIES			
Short Term Borrowings	7A	60,164.07	46,049.49
Trade Payables	8A	2,301.77	2,312.57
Other Current Liabilities	9A	28,985.25	29,016.94
Short Term Provisions	10A	2,122.48	5,948.00
Total		275,195.57	263,984.44
ASSETS			
NON - CURRENT ASSETS			
Fixed Assets			
(A) Tangible Assets	11A	65,803.75	68,162.33
(B) Intangible Assets	12A	47,968.34	82,068.78
(C) Capital Work In Progress	13A	4,078.97	9,493.56
Non Current Investments	14A	400.00	600.00
Deferred Tax Assets		3.42	0.00
Long Term Loans And Advances	15A	90,074.58	49,599.01
Other Non Current Assets	16A	42,696.32	36,976.54
CURRENT ASSETS			
Current Investments	17A	200.00	200.00
Inventories	18A	719.36	836.29
Trade Receivables	19A	3,042.59	4,039.84
Cash & Cash Equivalents	20A	2,631.03	1,280.82
Short Term Loans & Advances	21A	14,447.76	7,515.06
Other Current Assets	22A	3,129.45	3,212.21
Total		275,195.57	263,984.44

Significant Accounting Policies

1A

See accompanying notes (1A to 35A) to the financial statements

In terms of our report of even date attached

For and on behalf of Board

For V.K. Dhingra & Co.

Chartered Accountants

FRN: 000250N

sd/-

(Lalit Ahuja)

(Partner)

M.No. 085842

For Arun K. Agarwal & Associates

Chartered Accountants

FRN: 003917N

sd/-

(Vimal Kumar Jain)

(Partner)

M.No. 086657

sd-

(S.R. Sayal)

(Co. Secy)

sd/-

(P.K. Purwar)

Director

(Finance)

sd-

(K.A. Sarma)

DGM (Accounts)

sd-

(A.K. Garg)

Chairman & Managing

Director

Place : New Delhi

Date : 30th May, 2014

MAHANAGAR TELEPHONE NIGAM LIMITED

Statement of Consolidated Profit and Loss for the year ended 31st March, 2014

Particulars	Note No.	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
REVENUE			
Net Revenue From Operations	23A	34,756.60	34,964.26
Other Income	24A	3,964.90	2,866.89
Total Revenue		38,721.50	37,831.15
EXPENSES			
Employee Benefits	25A	26,185.69	49,044.73
Revenue Sharing	26A	4,228.35	4,576.80
Licence Fees	27A	2,171.31	2,514.61
Administrative, Operative And Other Expenses	28A	11,187.47	7,953.21
Depreciation & Amortisation	29A	11,915.25	14,966.49
Finance Cost	30A	13,907.92	11,808.68
Total Expenses		69,595.99	90,864.53
Profit/(Loss) Before Exceptional, Prior Period Items & Tax		(30,874.50)	(53,033.38)
Exceptional Items	35A	116,207.04	(2.26)
Profit/(Loss) Before Prior Period Items & Tax		85,332.54	(53,035.64)
Tax Expenses:	31A		
Current Tax		4,972.93	0.40
Deferred Tax		(3.63)	(7.02)
Taxes of Earlier Period Paid/ Written Back		0.21	0.00
Tax		80,363.04	(53,029.01)
Prior Period Items	32A	2,155.84	194.01
Profit/(Loss) For The Period		78,207.20	(53,223.03)
Earning/ (Loss) Per Equity Share	33A		
(1) Basic (₹)		124.14	(84.48)
(2) Diluted (₹)		124.14	(84.48)
Singnificant Accounting Policies	1A		
See accompanying notes to the financial statements			

In terms of our report of even date attached

For and on behalf of Board

sd-
For V.K. Dhingra & Co.
Chartered Accountants
FRN: 000250N

sd-
For Arun K. Agarwal & Associates
Chartered Accountants
FRN: 003917N

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

(K.A. Sarma)
DGM (Accounts)

sd/-
(Lalit Ahuja)
(Partner)
M.No. 085842

sd/-
(Vimal Kumar Jain)
Partner
M.No. 086657

sd/-
(P.K. Purwar)
(Finance)

sd-
(A.K.Garg)
Chairman &
Managing Director

Place : New Delhi

Date : 30th May, 2014

Note 1A: SIGNIFICANT ACCOUNTING POLICIES**1. Basis of preparation of financial statements**

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles (GAAP), Accounting Standards as per Companies (Accounting Standards) Rules, 2006 & as amended time to time and the relevant provisions of the Companies Act, 1956.

The financial statements are prepared on accrual basis under the historical cost convention, except the following items, which are accounted for on cash basis:

- Interest income/liquidated damages, where realisability is uncertain.
- Annual recurring charges of amount up to ₹ 0.10 Million each for overlapping period.

2. Use of Estimates

The preparation of the financial statements inconformity with GAAP requires judgements, estimates and assumptions to be made that affect the reported amount of assets and liabilities, disclosures relating to contingent liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Difference between the actual result and estimates are recognized in the period in which the results are known/materialized.

3. 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) (i) Provision is made for wrong billing, disputed claims from subscribers (excluding operators covered under the agreements related to IUC/Roaming/MOU) and cases involving suspension of revenue realization due to proceedings in Court.
- (ii) In case of landline services provision is made for debtors outstanding for more than 1 year but upto 3 years to the extent of 50 % and 100% in respect of more than 3 years.
- (iii) In respect of closed connections, provision is made in respect of outstanding for more than 3 years along with spillover amount for upto 3 years.



- (iv) In case of wireless services (GSM & CDMA), provision is made for dues, which are more than 180 days.
- (c) Activation charges, in case of Landline, are recognized as income in the year of connection.
- (d) Activation charges, in case of Mobile Services (GSM), are recognized as revenue on connection.
- (e) Income from services includes income from leasing of infrastructure to other service providers.
- (f) 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.
- (g) The sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.
- (h) Bonus/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company.
- (i) 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 ₹ 0.10 Million are disclosed as prior period items.

4. 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) (i) For absorbed combined service pension optee employees in MTNL, no provision is made for the pensionary benefits viz pension and gratuity, except for the amounts due to difference in pay scales of MTNL and BSNL which is payable by MTNL to the Government of India till next wage revision by which time MTNL and BSNL shall achieve pay scale parity.
- (ii) Annual pension contribution in respect of absorbed combined service pension optee employees in MTNL is payable to the Govt. of India as per FR-116 as in BSNL with equivalent BSNL pay scales and it is expensed off in the relevant year.



- (iii) Liability for leave encashment for all employees of MTNL is accounted for on Actuarial valuation basis.
- (iv) For absorbed CPF optees and direct recruits of MTNL, actuarial valuation is made for gratuity.
- (c) For post retirement medical benefits, no provision is made since insurance policy is taken periodically and the premium is expensed off in the relevant year.

5. Fixed Assets

- (a) 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.
 - (i) Land is capitalized when possession of the land is taken.
 - (ii) Building is capitalized to the extent it is ready for use.
 - (iii) 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.
 - (iv) Lines & Wires are capitalized as and when laid or erected to the extent completion certificates have been issued.
 - (v) Cables are capitalized as and when ready for connection with the main system.
 - (vi) Vehicles and Other Assets are capitalized as and when purchased.
 - (vii) Intangible assets including application software are capitalized when ready for use. Entry fee for onetime payment for 3G spectrum is also capitalized.
- (b) 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.

- (c) Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized if it results in enhancement of revenue earning capacity.
- (d) Upon scrapping / decommissioning of assets, these are classified in fixed assets at the lower of Net Book Value and Net Realisable Value and the resultant loss, if any, is charged to Statement of Profit and Loss.

6. Depreciation & Amortisation

- (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 provided on assets of small value in the year of purchase, other than those forming part of project, the cost of which is below ₹0.01 Million in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹0.20 Million for partitions.
- (c) Intangible assets represented by one-time upfront payment for 3G spectrum is amortized over the period of license i.e. 20 years.
- (d) Application software is amortised over the useful life of the assets which is considered as 10 years.
- (e) Value of Leasehold Land is amortized over the period of lease.

7. Inventories

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

8. 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 Statement of Profit & Loss.

9. 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.

10. Taxes on Income:

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961.

Deferred Tax resulting from “timing differences” between book and taxable profit is accounted for using the tax rates and laws that have been enacted or substantially enacted as on balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realized in the future. In situations where the company has unabsorbed depreciation or carry forward tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Minimum Alternate Tax (MAT) credit is recognized, as an asset only when and to the extent there is convincing evidence that the company will pay normal Income Tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by The Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and shown as MAT Credit Entitlement.

11. Impairment of assets:

The company assesses at each balance sheet date whether there is any indication that any asset, may be impaired. If any such indication exists, the carrying value of such assets is reduced to its estimated recoverable amount and the amount of such impairment loss is charged to the Statement of Profit and Loss. If, at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

12. Provisions and contingent liabilities:

A provision is recognized when the company has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation and also in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates. Where there is a possible obligation or a present obligation for which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent liabilities are disclosed in case of present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.



NOTES FORMING PART OF BALANCE SHEET

NOTE 2A

Share Capital

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10/- each	8,000.00	8,000.00
(80,00,00,000 Equity Shares of ₹10 each)		
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each	6,300.00	6,300.00
(63,00,00,000 Equity Shares of ₹10 each)		
Shareholders holding more than 5% shares	6,300.00	6,300.00
Total		

	As at 31.3.2014		As at 31.3.2013	
Name of Shareholders	No. of Shares held	% of Holding	No. of Shares held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC of India	118514713	18.81	118515213	18.81

NOTE-3A

Reserves & Surplus	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Share Premium Account		
Opening Balance	6650.05	6650.05
Addition	-	-
Deletion	-	-
Closing Balance	6650.05	6650.05
Surplus/ (Deficit)		
Opening Balance	(142827.30)	(90095.59)
Add: Profit during the year	78280.59	12.81
Less: (Loss) during the year	(73.39)	(53235.84)
Less: Proposed/ Final Dividend	0.00	0.00
Less: Transfer to Reserve	(452.71)	0.00
Add: Transfer from other Reserves	0.00	491.31
Solidarity Levy paid for prior period	(32.54)	0.00
Closing Balance	(65105.35)	(142827.30)
Reserve for Contingencies*		
Opening Balance	3457.17	3948.46
Addition	-	-
Deletion	0.00	(491.29)
Closing Balance	3457.17	3457.16
Reserve for Research & Development		
Opening Balance	308.00	308.00
Addition	-	-
Deletion	-	-
Closing Balance	308.00	308.00
Reserve for Debenture Redemption		
Opening Balance	0.00	0.00
Addition	452.71	-
Deletion	0.00	0.00
Closing Balance	452.71	0.00
Reserve for Foreign Currency Translation		
Opening Balance	0.00	0.00
Addition	134.01	0.00
Deletion	0.00	0.00
Closing Balance	134.01	0.00
General Reserves		
Opening Balance	98230.79	98230.79
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	98230.79	98230.79
Total	44127.38	(34181.32)

* for Section 80-IA of the Income Tax Act, 1961.



NOTE - 4A

LONG TERM BORROWINGS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
(A) Secured		
(a) Term Loans		
From Banks*	43,650.00	59,323.50
(Secured by floating first pari passu charge on all fixed and current assets)		
	43,650.00	59,323.50
(B) Unsecured		
(i) Debentures-Series 1A**	10,050.00	10,050.00
(10050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)		
(ii) Debentures-Series 2A***	19,750.00	0.00
(19750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)		
(iii) Debentures-Series 3A****	7,650.00	0.00
(7650 number of 9.39 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)		
	37,450.00	10,050.00
Total	81,100.00	69,373.50

* Terms of Repayment and Rate of Interest of Term Loan from Banks are given as under:-

Name of Bank	Amount outstanding (₹ in million)	No. of instalments	Weighted Average Rate of interest
Union Bank of India	4,550.00 (9,100.00)	4 (spread over from Aug., 2016 to Feb., 2018)	11.63%
IDBI	30,000.00 (38,500.00)	10 (spread over from Sep., 2015 to Dec., 2017)	
Punjab National Bank	0.00 (1,723.50)	NIL	
Indian Overseas Bank	9,100.00 (10,000.00)	9 (spread over from Jan., 2015 to Jan., 2019)	
TOTAL	43,650.00 (59,323.50)		

** Debentures-Series 1A

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 28.03.2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date.

*** Debentures-Series 2A

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 05.12.2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date.

**** Debentures-Series 3A

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 9.39 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 26.03.2024. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date. The liability of interest and principal thereof shall be settled by DoT (GOI).



NOTE - 5A

OTHER LONG TERM LIABILITIES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Payable to BSNL	18282.54	16345.13
Security Deposits from Customers	5771.14	5815.86
Trade Payables- Non Current	947.26	570.15
Other Long Term Liabilities	7134.84	8687.94
Total	32,135.78	31,419.08

NOTE - 6A

LONG TERM PROVISIONS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
(a) Provisions for Employee Benefits		
Pension- Company Employees	8325.56	96768.16
Leave Encashment- Company Employees	9033.99	8346.83
Gratuity- Company employees	576.71	0.00
Gratuity- For DoT Period	0.00	2609.13
(b) Other long Term Provision	4.17	4.17
Total	17,940.43	107,728.29

NOTE - 7A

SHORT TERM BORROWINGS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
A. Loans repayable on demand		
Unsecured		
(i) From Banks- Overdrafts	43,164.07	33,049.50
(ii) From Banks- Short Term Loans	17,000.00	13,000.00
Total	60,164.07	46,049.49

Particulars	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Outstanding Amount	17000.00	13000.00
Weighted Average Rate of interest	10.26%	10.25%

NOTE - 8A

TRADE PAYABLES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
(i) For Goods and Services	2,301.77	2,307.73
(ii) Due under MSMED Act	0.00	4.83
Total	2,301.77	2,312.57



NOTE - 9A

OTHER CURRENT LIABILITIES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Current maturities of long term debt	900.00	2400.00
Interest Accrued but not due		
(i) On security deposits	21.15	21.79
(ii) On bonds	613.11	9.44
(iii) On borrowings- short term	236.46	219.21
(iv) On borrowings- long term	509.06	694.30
Income received in advance	1008.18	1045.49
Other Payables		
Deposits from :		
(i) Contractors	411.74	462.15
(ii) Customers	237.53	198.23
Unclaimed Bonds	0.68	0.68
Other Liabilities		
(i) For Salary & other benefits	2,571.60	1,684.69
(ii) ExGratia/ Bonus	0.38	0.00
(iii) GPF of MTNL optee	16,194.13	14,844.85
(iv) Service Taxes & withholding Taxes Payables	2,321.19	2,452.13
(v) Advance received from customers	594.97	433.11
(vi) Gratuity- company employees	0.00	391.10
(vi) Others	824.62	1,030.12
Amount Payable:		
(i) To DoT	378.51	756.36
(ii) To contractors- other than goods & services	1,187.21	1,399.06
(iii) To other operators for revenue sharing (Other than BSNL)	974.73	973.84
Total	28893.17	26191.70



NOTE - 10A

SHORT TERM PROVISIONS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Provision for employee benefits		
Pension contribution		
(i) Company employees	511.60	4793.43
(ii) Others	5.07	3.84
Leave Encashment		
(i) Company employees	1315.62	1039.48
(ii) Others	6.82	5.56
Gratuity- company employees	152.87	0.00
Others	128.95	104.04
Provision for Wealth tax	4.90	19.30
Less: Payment of Wealth Tax	3.36	17.65
Total	2122.48	5948.00

NOTE - 11A TANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)				Depreciation (₹ In Million)			Net Block (₹ In Million)	
	As At 1.4.2013	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2014	As At 1.4.2013	For The Year	As At 31.3.2014	As at 31.3.2013
LAND:									
- FREEHOLD	192.05	-	-	-	192.05	-	-	192.05	192.05
- LEASEHOLD	3,190.93	2.22	-	0.26	3,192.90	459.10	33.78	2,700.06	2,731.83
BUILDING	15,896.48	1,566.66	(165.37)	-	17,297.78	5,302.94	596.61	11,373.22	10,593.55
LEASED PREMISES	53.52	-	-	-	53.52	12.31	-	40.21	41.21
LINES & WIRES	1,266.87	75.80	36.44	-	1,379.11	753.79	48.21	579.73	513.09
CABLE	74,879.76	680.10	302.30	157.84	75,704.33	56,401.59	2,166.20	17,265.17	18,478.17
APPARATUS & PLANT	95,089.82	3,573.95	(263.32)	379.67	98,020.78	61,173.97	5,402.67	31,802.03	33,915.85
VEHICLES	286.15	4.62	(1.75)	7.37	281.66	251.69	4.43	33.14	34.47
FURNITURE & FIXTURES	1,543.81	9.28	(0.01)	0.39	1,552.68	1,177.22	50.19	325.55	366.59
OFFICE MACHINERY & EQUIPMENTS	382.48	4.15	(0.58)	0.61	385.44	265.32	13.97	106.99	117.16
ELECTRICAL APPLIANCES	1,525.04	0.75	(0.11)	4.13	1,525.55	883.75	65.11	578.31	641.28
COMPUTERS	2,787.25	510.89	(94.56)	6.06	3,197.51	2,340.67	178.48	689.23	446.58
ASSETS SCRAPPED/ DECOMMISSIONED	204.76	89.99	(170.43)	6.26	118.06	-	-	118.06	204.76
TOTAL	197,298.94	6,518.41	(357.39)	562.59	202,897.37	129,022.34	8,559.63	137,093.62	68,211.86
Previous Year	191,119.73	5,878.25	622.67	321.71	197,298.94	121,067.64	8,591.89	129,022.34	-

NOTE - 12A INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)				Amortisation (₹ In Million)			Net Block (₹ In Million)	
	As At 1.4.2013	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2014	As At 1.4.2013	For The Year	As At 31.3.2014	As at 31.3.2013
APPLICATION SOFTWARE	766.66	545.78	-	-	1,312.44	393.28	69.87	849.29	373.38
3G & BWA LICENCE FEES	111,014.42	0.29	(45,339.70)	-	65,675.01	29,319.02	3,285.75	47,119.05	81,695.40
TOTAL	111,781.08	546.07	(45,339.70)	-	66,987.45	29,712.30	3,355.61	47,968.34	82,068.78
Previous Year	111,746.36	15.18	19.54	-	111,781.08	23,321.49	6,374.61	82,068.78	-



NOTE - 13A

CAPITAL WORK IN PROGRESS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Buildings	393.57	1,113.33
Apparatus & Plants	2,138.60	6,477.46
Lines & Wires	29.33	18.01
Cables	1,117.47	1,195.38
Subscribers Installations	326.39	213.80
Air Conditioning Plants	73.60	475.58
Total	4,078.97	9,493.56

NOTE - 14A

NON CURRENT INVESTMENTS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
LONG TERM INVESTMENTS (UNQUOTED)		
INVESTMENT IN PREFERENCE SHARES		
Investment in 10000000 8.75% Un Quoted preference shares of ₹ 100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, two instalments of ₹200000000 each were due in 2012-13 and 2013-14 but still not received.	400.00	600.00
Total	400.00	600.00

NOTE - 15A
LONG TERM LOANS AND ADVANCES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
SECURED, CONSIDERED GOOD		
Advances to employees		
(i) Housing Loan	425.12	578.11
(ii) Vehicle Loan	11.36	16.97
(iii) Other Loans	1.35	2.88
UNSECURED, CONSIDERED GOOD		
Capital Advance	35.26	37.86
Deposits with other Govt. Deptt. / Companies	295.50	375.79
Loans and Advances to related parties	42.35	0.00
Cenvat	37.65	71.99
Amount recoverable from DoT	84556.92	35117.57
Others		
Income Tax	10,176.43	15,965.15
Less: Provision for income tax	(9,073.41)	(5,828.19)
	1,103.02	10,136.96
FBT	3,823.49	3,518.31
Less: Provision for FBT	(257.46)	(257.45)
	3,566.03	3,260.86
UNSECURED, CONSIDERED DOUBTFUL		
Deposits with other government departments	160.71	79.57
Cenvat	0.52	0.52
Amount recoverable from DoT	0.10	0.10
Total	161.33	80.19
Less:		
Provision for Doubtful Deposits/Advances	161.33	80.19
Total	90,074.57	49,599.01

NOTE - 16A
OTHER NON CURRENT ASSETS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
SECURED, CONSIDERED GOOD		
Interest accrued on deposit	3.89	8.68
Interest accrued on loans and advances	756.11	876.40
Bank deposits (with more than 12 months maturity)*	68.10	57.75
UNSECURED, CONSIDERED GOOD		
Receivable from BSNL	41860.40	36027.26
UNSECURED, CONSIDERED DOUBTFUL		
Receivable from BSNL	13.87	65.45
Receivable from DoT	62.19	70.13
OTHERS		
Balance with bank**	3.25	0.00
Others	4.56	7.05
Less:		
Provision for other non current assets	76.06	136.18
Total	42,696.32	36,976.54

* includes ₹68.10 million (₹57.75 million) under lien

** under lien on court directions



NOTE - 17A

CURRENT INVESTMENTS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Investment in ITI Preference shares (Unquoted)	600.00	400.00
Investment in 10000000 8.75% Un Quoted preference shares of ₹ 100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, two instalments of ₹200000000 each were due in 2012-13 and 2013-14 but still not received.		
Less: Provision for doubtful recovery of investment	400.00	200.00
Total	200.00	200.00

NOTE - 18A

INVENTORIES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Lines and Wires	36.23	24.83
Cables	305.53	403.39
Exchange Equipment	425.39	382.49
WLL Equipments	0.78	0.00
Telephone & Telex Instrument	226.49	198.28
WLL Instruments	156.68	156.94
Telephone & Telex Spares	12.38	7.19
Installation Test Equipment	1.85	1.85
Mobile Handset & Sim cards	29.94	31.26
Total	1,195.27	1,206.22
Less:		
Provision for obsolete stores	475.91	369.93
Total	719.36	836.29



NOTE - 19A

TRADE RECEIVABLES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
UNSECURED		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
Considered Good	1,570.45	1,514.33
Considered Doubtful	14.16	23.78
(b) OUTSTANDING FOR OVER SIX MONTHS		
Considered Good	1,447.28	1,931.79
Considered Doubtful	6,856.85	6,886.03
Total	9,888.74	10,355.92
Less:		
Provision for Doubtful Debts	6,835.04	6,299.35
Provision for Wrong Billing	11.11	16.73
Total	3,042.59	4,039.84

Secured to the extent of security deposits to the tune of ₹5973.94 million (₹5979.81 million) which are under reconciliation.

NOTE - 20A

CASH AND CASH EQUIVALENTS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Balances with banks	2,487.35	1,073.46
Cheques/ Drafts in hand	18.63	56.62
Cash in hand	9.54	22.78
Bank deposits (with less than 1 year maturity)*	126.80	140.16
Total	2,642.32	1,293.03
Less:		
Provision for doubtful bank balances	11.29	12.21
Total	2,631.03	1,280.82

* includes Rs NIL (₹32.59 million) under lien



NOTE - 21A
SHORT TERM LOANS AND ADVANCES

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
LOANS & ADVANCES		
(1) To EMPLOYEES		
Secured, Considered good		
(i) Housing Loan	168.95	228.48
(ii) Vehicle Loan	5.58	7.97
(iii) Other Loans	1.54	4.30
Unsecured, Considered good; Festival, TA, LTC, Medical etc advances	593.13	572.45
(2) To OTHERS		
Unsecured, Considered good		
(i) Contractors	239.03	244.48
(ii) Advance payment of Taxes		
(a) Income Tax	4.27	433.63
(b) Others	17.66	27.64
(iii) Prepaid expenses	682.82	411.60
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - IUC operators	1.39	1.29
(b) Service Tax Recoverable - others	1,168.74	873.86
(c) Cenvat Credit	1,076.45	1,050.55
(v) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	402.72	424.48
(b) DoT	9.84	0.00
(c) Others	10,410.95	3,232.13
UNSECURED, CONSIDERED DOUBTFUL		
Festival, TA, LTC, Medical etc advances	0.22	0.84
Contractors	65.64	65.64
Others	783.93	305.98
Total	15,633.26	7,885.33
Less:		
Provision for Doubtful Claims/Advances	1,185.50	370.27
Total	14,447.76	7,515.06

NOTE - 22A
OTHER CURRENT ASSETS

	As at 31.3.2014 (₹ in Million)	As at 31.3.2013 (₹ in Million)
Interest accrued on deposits	5.26	7.90
Interest accrued on loans and advances	144.37	96.08
Interest accrued on Income Tax Refund	434.07	434.07
Income Tax Receivables	606.33	606.03
Unbilled Revenue	1,939.42	2,068.14
Total	3,129.45	3,212.21



NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2014

NOTE 23A

NET REVENUE FROM OPERATIONS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
(A) Revenue From Sale of Services		
FIXED TELEPHONE:		
Fixed Monthly Charges	5,690.05	6,175.35
Calls & Other Charges	5,500.31	5,523.71
Franchisee Services	367.44	448.68
Rent & Junction Charges- Others	1,199.41	2,352.92
Access Calls & Other Charges- Others	999.50	1,134.79
IPTV	3.69	15.18
Broadband	7,840.00	7,402.46
VCC	15.75	37.68
Circuits- Local	2,893.27	1,117.29
Circuits- Long Distance	271.34	1,414.94
Interconnection Charges	0.00	26.41
ISDN - Fixed Monthly Charges	424.17	419.51
ISDN- Call Charges	365.80	332.72
MOBILE SERVICES:		
WLL-Fixed Charges	32.29	52.27
WLL-Call Charges	13.96	26.52
Interconnection Charges	829.07	891.59
Cellular- Fixed & Call Charges	1,575.25	1,227.57
Income from Roaming	2,708.95	2,874.37
Pre- paid income	2,495.43	2,685.76
Activation Charges	2.61	3.79
VAS	515.34	101.90
OTHER SERVICES:		
Internet	97.30	69.74
Free Phone	524.25	360.36
Premium Rate Services	3.10	3.63
VOIP Services	0.17	6.11
Miscellaneous	262.37	161.04
(b) Other operating revenues		
Revenue from enterprise business	0.40	1.25
Surcharge on delayed payments	125.38	96.71
Total	34,756.60	34,964.26

NOTE - 24A
OTHER INCOME

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
INTEREST		
(i) From Bank	19.98	12.12
(ii) From Employees	69.91	87.00
(iii) From Others	3.34	58.30
(iv) From Income Tax Refunds	992.11	460.67
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	1.44	1.91
Profit on sale of assets	43.75	42.04
Liquidated damages	103.47	147.36
Foreign Exchange Fluctuation Gain	1.45	0.50
Bad Debts Recovered	9.93	8.36
Excess Provision Written back	1,207.70	842.83
Rent on Quarters/ IQs/ Hostels & other services	82.25	86.37
Rental income from properties	836.06	646.82
Others	593.51	472.59
Total	3,964.90	2,866.89

NOTE - 25A
EMPLOYEE BENEFITS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Salary, Wages & Other Benefits	23,875.84	22,632.83
Bonus / Exgratia	0.00	0.01
Medical Expenses/ Allowances	894.05	789.57
Leave Encashment		
(I) Company Employees	1,869.15	2,626.34
(II) Others	6.74	19.19
Pension Contribution		
(I) Company Employees	1,392.14	26,463.85
(II) Others	12.32	10.59
Contribution To CPF	708.67	652.19
Gratuity	192.94	737.57
Staff Welfare Expenses	9.69	26.83
Total	28,961.54	53,958.96
Less:		
Allocation To Capital Work In Progress	2,775.85	4,914.24
Total	26,185.69	49,044.73



NOTE - 26A

REVENUE SHARING

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Revenue Sharing	4,228.35	4,576.80
Total	4,228.35	4,576.80

NOTE - 27A

LICENCE FEES

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
License Fees	2,171.31	2,514.61
Total	2,171.31	2,514.61

NOTE - 28A

ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2014 (₹ in Million)
Power, Fuel & Water	2,682.36	2,488.50
Rent	907.42	853.32
Repairs & Maintenance		
(1) Building	211.28	138.81
(2) Plant & Machinery	1,176.22	1,164.69
(3) Others	338.74	276.66
Seminar & Training Charges	10.54	6.72
Insurance	54.90	64.40
Rates & Taxes	734.87	479.40
Travelling Expenses	14.07	11.48
Postage & Courier	83.12	61.38
Printing & Stationery	75.02	85.83
Vehicle Expenses		
(i) Maintenance	8.27	8.37
(ii) Running	27.35	27.51
(iii) Hiring	82.73	80.47
Commission paid to Franchisee Services	332.09	354.35
Advertising/ Business Promotion Expenses	83.99	81.70
Foreign Exchange Fluctuation Loss	30.56	18.13
Provision for Doubtful Debts	590.39	517.65
Provision for Doubtful Recovery of Investment	200.00	200.00



	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Provision for Wrong Billing	0.03	0.28
Provision for Obsolete Store/ Claim	134.91	33.66
Bad Debts Written Off	376.18	18.73
Professional & Consultancy Charges	59.83	46.56
PSTN Charges	0.48	0.00
Internet Charges	237.03	483.40
Loss On Sale Of Assets	98.15	50.53
Loss of Assets (Other than on sale)	157.72	126.71
Spectrum Charges (WLL)	2.65	2.40
Spectrum Charges (MS)	441.04	499.60
Interest on Customer's Deposits	4.20	4.06
Provision for Doubtful Advances	433.79	95.01
Provision for Doubtful Claims	416.73	0.00
Miscellaneous Expenses	743.20	837.63
Total	10,749.86	9,117.91
Less:		
Allocation To Capital Work In Progress	(437.60)	1,164.69
Total	11,187.46	7,953.21

NOTE - 29A

DEPRECIATION & AMORTIZATION EXPENSES

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Depreciation	8,559.63	8,591.89
Amortization 3G	3,282.00	3,280.86
Amortization BWA	0.00	3,022.65
Amortization others	73.61	71.10
Total	11,915.24	14,966.49

NOTE - 30A

FINANCE COST

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Interest On Bonds	1,455.12	9.44
Interest On Loan	12,256.30	11,786.43
Commitment Fees	164.21	1.10
Other Borrowing Costs	32.30	11.71
Total	13,907.93	11,808.68



NOTE - 31A

INCOME TAX EXPENSE

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Current Tax (MAT)	4,972.93	0.40
Deferred Tax	(3.63)	(7.02)
TOTAL	4969.51	6.62

NOTE - 32A

PRIOR PERIOD ITEMS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Prior Period Items (Debit)		
Rent	0.00	(4.18)
Rates & Taxes	0.00	49.58
Repair To Buildings & Others	0.00	7.94
Depreciation	225.17	155.20
Others (includes ₹1871.48 million reversal of overhead from CWIP)	1,925.12	(5.76)
Less:-		
Prior Period Items (Credit)		
Income From Telephone	(5.08)	8.25
Others	(0.47)	0.51
NET	2,155.84	194.01

NOTE - 33A

PAYMENTS TO STATUTORY AUDITORS (Disclosure Note only)

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
(a) As Auditor	3.70	3.74
(b) For Taxation Matters	0.78	0.91
(c) For Other Services	2.17	2.11
(d) For Reimbursement of Expenses	1.09	0.94
TOTAL	7.74	7.69

NOTE - 34A

EXCEPTIONAL ITEMS

	For the year ended 31.3.2014 (₹ in Million)	For the year ended 31.3.2013 (₹ in Million)
Amortization of intangible assets (BWA spectrum) written back	14,048.81	0.00
Provision written back - Pension and Gratuity	90,133.88	0.00
Pension payout by MTNL recoverable from DoT (Net of Pension Contribution)	11,026.69	0.00
Recoverable from Gratuity Trust due to reversal of liability in respect of combined service pension optees	999.93	0.00
Others	(2.26)	(2.26)
Total	116,207.04	(2.26)

Note 35 A:
NOTES TO ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS
1. Principles of Consolidation

The consolidated financial statements relate to Mahanagar Telephone Nigam Limited ('the Company') and its subsidiary companies and joint ventures. The consolidated financial statements have been prepared on the following basis:

- a) The financial statements of the Company and its subsidiary companies are amalgamated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 – "Consolidated Financial Statements".
 - b) Interest in Joint Ventures has been accounted for by using the proportionate consolidation method as per Accounting Standard (AS) 27 – "Financial Reporting of Interest in Joint Ventures"
 - c) In the foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the closing rate prevailing at the end of the year. All assets and liabilities are converted at rates prevailing at the end of the year
 - d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's standalone financial statements.
2. Investments other than in subsidiaries and JVs have been accounted as per Accounting Standard (AS) 13 on "Accounting for Investments".

	(₹ in Million)	
3. Contingent Liabilities	2013-14	2012-13
(a) Income Tax Demands disputed and under appeal	8703.00	13176.91
(b) Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	4541.31	5761.60
(c) (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
(d) Claims against the company not acknowledged as Debts	32271.82	32271.82
(e) Pending arbitration/court cases	10001.72	8231.50
(f) Bank guarantee & Letter of Credit	1091.28	1243.46
(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	46.07	53.78
(j) License Fee related contingent liability w.r.t. BSNL charges paid on netting basis	1403.63	1403.63
(k) Contingent Liability on account of Income Tax as shown in 1(a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed.		
(l) Contingent liabilities and commitments of JVs and Subsidiaries	164.25	348.31
4. Estimated amount of contracts remaining to be executed on capital account is ₹ 232.94 Million (Previous year ₹ 1341.83 million). 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.		

5. Change in Accounting Policy:

During F.Y. 2013-14, in case of landline services, provision to the extent of 50% has been made for debtors outstanding for more than 1 year but upto 3 years and to the extent of 100% in respect of more than 3 years but upto F.Y. 2012-13 provision was made only for debtors outstanding for more than 3 years.

Impact: The amount of ₹393.83 million has been charged to the Statement of Profit and Loss during the current year on account of provision made to the extent of 50% for debtors outstanding for more than 1 year but up to 3 years. Due to change in the policy, the profit for the year as well as net trade receivables have been reduced to that extent.

6. In view of gazette notification no.GSR 138(E) dated 3rd March 2014 vide which pensionary benefits in respect of absorbed combined service pension optees will be paid by the Government of India, no provision has been made for the pensionary benefits viz pension and gratuity for such employees except for the amount due to difference in pay scales of MTNL and BSNL which is payable by MTNL to the Government till next wage revision by which time MTNL and BSNL shall achieve pay scale parity. However, MTNL shall make pension contribution to the Govt. as per FR-116 as in BSNL with equivalent BSNL pay scales. Earlier provision for all such employees was made on actuarial basis.

Besides, actuarial valuation is made for gratuity provision for other than combined service pension optee employees of MTNL.

7. a) The company had claimed benefit under section 80 - IA of the Income Tax Act, 1961 for the financial years from 1997-98 to 2005-06. The appellate authorities have allowed the claim to the extent of 75% of the amount claimed. The company has preferred appeals for the remaining claim before the Hon'ble Courts of Delhi. The company has retained the provision of ₹4003.32 million (₹4003.32 million) for this claim for the financial years 1997-98, 1998-99 and 1999-2000, however,



the demands on this account amounting to ₹3457.16 million (₹ 3457.16 million) for the financial years 1999-2000 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act, 1961.

- b) Income Tax receivable include appeal effect of ₹1015.43 million pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of Rs 603.03 million and interest accrued thereon amounting to ₹ 412.40 million.
 - c) The balances appearing in advance tax, provisions for income tax and interest on income tax refunds are subject to reconciliation with the figures of the tax records.
8. The Company has provided for Minimum Alternate Tax (MAT) to the tune of ₹4971.79 million as per section 115JB of Income Tax Act, 1961. The same has been provided on provisional basis based on the estimated income and expenditure till the date the financial statements for the year 2013-14 are approved by the Board of MTNL. The same might undergo revision at the time of filing of Income Tax return of the Company for the A. Y. 2014-15. The Company is entitled for credit for Tax paid as MAT under section 115JAA of the IT Act, 1961. However the Company has no convincing evidence that it will pay normal tax during the specified period as is required to avail MAT Tax Credit entitlement. Accordingly, the same has not been recognized in the current year. The same will be reviewed at each balance sheet date and will be appropriately accounted for.
9. (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 12.01.93. A claim against the Company has been raised by Sterling Computers Ltd. for ₹ 258.2 Million which being under dispute, has not been provided for. The company has filed its counter claims of ₹ 228.7 Million before the Hon'ble High Court against Sterling/UDI/UIP and has also filed arbitration claims of ₹ 561.8 Million plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for ₹ 154.91 Million (₹ 154.91 Million) on account of royalty, interest and billing charges and on payments made through Letter of Credit; ₹130.47 Million (₹130.47 Million) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the company for interest and service charges aggregating ₹143.67 Million (₹143.67 Million) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation 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. During the financial year 2011-12, the Hon'ble High



Court pass an order on 07.12.2011 directing to stop arbitration proceedings against M/s Sterling regarding the arbitration case of M/s UIP also and it is informed by learned arbitrator that this proceeding stand still in the SLP filed by UIP. However, MTNL has not received the certified copy of the order. On receipt of the same MTNL will file further to the court. The petitioner has also taken 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 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 ₹228.7 million 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 unit for a period of 5 years starting from 1993. After printing and issue of 1993 (main & supplementary) and 1994 main directory, M/s. M & N Publications Ltd terminated the contract prematurely on 04.04.1996. MTNL, Mumbai invoked Bank Guarantee on 09.04.1996 and issued Legal Notice on 22.07.1996 and terminated the contract.

Sole Arbitrator has been appointed by CMD, MTNL. The Sole Arbitrator has since given his award on 09.04.2013 partly in favor of MTNL, Mumbai. The claim and counter claim under arbitration will be accounted for in the year when the ultimate collection/payment of the same becomes reasonably certain. M/s. M & N Publications has approached the Bombay High Court against the award vide ARBP/926/2013 and MTNL also approached the Bombay High Court vide ARBPL/14/07/2013 for balance amount due and the same is in admission stage.

10. 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. Stamp Duty on the lands and buildings acquired from DOT is payable by DOT as per sale deed and in respect of properties acquired after 1.4.1986, the documentation shall be contemplated at the time of sale or disposal as and when needed.
11. 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 Million (₹ 8.10 Million). The application for amnesty towards demands aggregating ₹2.09 Million (₹2.09 Million) has been accepted. The balance applications relating to demands of ₹6.02 Million (₹6.02 Million) are under process and are not included under Contingent Liabilities.
12. a) The amount recoverable from BSNL is ₹41922.59 Million (₹ 36097.39 Million) and amount payable is ₹18282.54 Million (₹ 16345.13 Million). The Net recoverable of ₹23640.05 Million (₹ 19752.26 Million) is subject to reconciliation and confirmation.
- b) Certain claims of BSNL on account of Signaling charges ₹219.30 million. (₹219.30 million), Transit tariff ₹251.90 million (₹251.90 million), MP Billing ₹60.10 million (₹60.10 million), Service Connections ₹401.48 million (₹401.48 million), IUC ₹101.40 million (₹101.40 million) and IUC from Gujrat Circle ₹11.14 million (₹11.14 million) are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary



- c) 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 ₹ 98.01 million (₹ 98.01 million) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹312.72 million (₹312.72 million), since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of ₹ 214.72 million (₹ 214.72 million) is shown as contingent liability.
- d) In both Delhi and Mumbai Unit an amount of ₹4428.35 million (₹3782.25 million) and ₹4630.63 million (₹ 2748.67 million) has been accounted as receivable and payable from BSNL respectively on account of IUC charges which is included in the recoverable & payable amounts as shown above.
- e) During the year in Delhi Unit out of the Access calls and other charges ₹44.59 million (Rs 76.94 million) towards interconnect charges on rate prescribed by TRAI in IUC regulation in the absence of any interconnect agreement between MTNL & BSNL. BSNL is also charging the same and the claim raised by both parties are under dispute. Direct connectivity traffic expenditure with BSNL has been booked on the basis of billing system of Delhi Unit.
- f) During the year an amount of ₹380.72 million (₹ 1296.55 million) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL and ₹2.91 million (₹ 3.27 million) is payable to BSNL in case of Mumbai Unit.
- g) During the year an amount of ₹261.10 million (₹ 184.02 million) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.
13. As per directions of the Hon'ble Delhi High Court one UASL operator had paid to MTNL, Mumbai ₹1249.30 million and ₹339.90 million in 2004-05 and 2005-06 respectively against the claim of ₹1589.20 million. The company has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for reconciliation of the bills. The Company has filed a Civil Appeal and application for stay of operation of the order of TDSAT in the Hon'ble Supreme Court of India in which Supreme Court directed on 08.05.2014 that TDSAT will review the impugned order on seeking of it by appellant and the same is in process.
14. The Bank Reconciliation Statements as at 31st March 2014 include unmatched/unlinked credits/debits given by the banks in the Mumbai, Delhi and Corporate office units' bank accounts amounting to ₹ 14.78 million (₹ 2.40 million) and ₹ 16.26 million (₹ 1.41 million) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.
15. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹1000 Million 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 ₹200 Million each, aggregating to ₹1000 Million 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. The installments which were due in 2012-13 and 2013-14 have not been paid and necessary provision for the overdue installments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments made by M/S ITI and as funds will be made available after budget 2014-15 is passed



and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7-5-2014 informed that upon receipt of the financial assistance from the Govt. the redemption process would be initiated.

16. Amount recoverable on current account from DOT is ₹84580.73 Million (₹ 35183.13 Million) and amount payable is ₹378.22 Million (₹756.02 Million). The net recoverable of ₹84202.51 Million (₹34427.11 Million) is subject to reconciliation and confirmation.

Deposits from applicants and subscribers as on 31st March, 1986 were ₹813.21 million in Mumbai unit as intimated provisionally by DOT. At the year end these deposits amounted to ₹1032.79 million (₹1032.79 million), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31st March, 1986. Out of the said amount of ₹1032.79 million, claims of ₹597.94 million (₹597.94 million) have been settled and ₹434.85 million (₹434.85 million) is due at the end of the year.

In case of Delhi Unit, balance on this account still recoverable is ₹123.60 million (₹123.60 million).

17. a) The balance in the Subscribers' Deposit Accounts is to the tune of ₹5973.94 million (₹ 5979.81 million). Out of this balance in Delhi Unit an amount of ₹ 2931.21 Million (₹ 3017.12 Million) on account of subscriber deposits is under reconciliation.
- b) The reconciliation of deposits pertaining to Mumbai unit is done and on reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS), an amount of ₹1348.04 million (₹1348.04 million) was found excess in financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.
- c) Interest Accrued and Due on the aforesaid subscriber deposit accounts for both the units of ₹21.15 Million (₹ 21.80 Million) is subject to reconciliation with the relevant subsidiary records.
- d) In Mumbai unit, on reconciliation of balance outstanding under refund due to subscribers account with actual amount due for refund, ₹371.28 million (₹371.28 million) was identified as excess liability appearing in the financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.
- e) Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹212.42 Million (₹ 420.30 Million), 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.
- f) The balance of sundry debtors as per ageing summary under subsidiary records is lower by ₹66.56 million (₹ 73.83 million) as compared to the balance in general ledger and is under reconciliation. The resultant impact of the above on the account is not ascertainable.
18. License fee on the Adjusted Gross Revenue (AGR) was calculated and accounted for on accrual basis in respect of both revenue and revenue sharing with other operators till 2011-12. As per the directions of Supreme Court given earlier in respect of calculation of License Fees and AGR the matter has been referred back to TDSAT and is pending in respect of other private telecom operators. However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement. In



respect of revenue sharing with BSNL, the issue has been taken up with DOT while paying License Fees on actual payment basis from 2012-13 onwards. The impact of ₹1403.63 Million on this account upto the year 2011-12 has been shown as contingent liability and issue is also taken up with BSNL and DOT by MTNL.

19. In case of Mumbai Unit, the balances with non-scheduled banks comprise of:

Sl. No.	Name of the Bank and Branch	Balance as on 31st March, 2014 (₹)	Maximum balance during the year ended 31st March, 2014 (₹)
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)

20. Pending final settlement, the following have not been accounted for in Mumbai Unit:

	2013-14 (₹ in million)	2012-13 (₹ in million)
a) Customs duty refund claims	53.21	53.21
b) Insurance claims due to theft	50.58	774.46
c) Refund claimed from BMC (Sewerage Tax, etc)	30.20	30.15

21. MTNL Mumbai has received claims from M/s. BEST, Electricity supply provider categorizing MTNL at Commercial tariff instead of Industrial tariff. The claim has been made with retrospective effect for the period Feb-2007 to May-2009 in respect of HT connection and Jan-2002 to Apr-2011 in respect of LT connection. MTNL has represented to BEST for reconsideration which has not been accepted by BEST. Hence MTNL has approached Hon'ble Mumbai High Court and got a stay on the arrears claimed by BEST amounting to ₹208.20 million. In the opinion of the management, there is remote possibility of the case being settled against MTNL.

22. a) Consequent upon the decision of Govt. to take over the liability of pensionary benefits of combined service pension optees, out of the total Gratuity provision of ₹14181.74 million, the provision to the extent of 3062.74 millions for the period upto 31-03-2014 is retained towards the liability of employees other than combined service pension optees and ₹729.58 million for Combined pension optees to meet the liability due to difference in BSNL and MTNL pay scales. The remaining excess provision pertaining to the combined service pension optees is written back. As on 31.03.2014 ₹3062.74 Millions (₹14181.74 millions) is to be retained by the Gratuity Trust and excess amount to the extent of ₹8001.60 million is to be returned to MTNL out of its corpus being the amount pertaining to the combined service pension optees available with it due to the above decision of Government of India.



Similarly out of the total pension provision in the books as on 31.03.2013 of ₹101561.59 million, only ₹8837.16 million has been retained to meet out the liability due to difference in MTNL and BSNL pay scales.

- b) The total provision for Leave Encashment is ₹10349.61 Million up to 31.3.2014 (₹ 9386.31 Million). Out of this, an amount of ₹ 653.68 Million (₹ 653.68 Million) and ₹ 433.74 Million (₹ 433.74 Million) is recoverable, from DOT in respect of Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.
- c) An amount of ₹ 15140.82 Million (₹ 14732.72 Million) towards GPF contribution is recoverable from DOT as on 31.3.2014. 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) In view of the Government of India decision for payment of pensionary benefits to Combined service pension optees as in the case of BSNL as per which the payment of pensionary benefits will be made by Govt. as per the BSNL pay scales. Correspondingly MTNL will pay pension contribution as per the BSNL pay scales to DOT. The difference in pensionary benefits on account of difference in BSNL and MTNL pay scales to combine service pension optees will be borne by MTNL.

Gratuity provision for other than combined service pension optee employees of MTNL, and Leave Encashment provision for all of the employees of MTNL has been made on the basis of actuarial valuation.

- 23. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary in nature.
- 24. 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.
- 25. Certain claims in respect of damaged/lost fixed assets and inventory has been lodged with Insurance Companies by MTNL 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.
- 26. 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.
- 27. Vacant Land and Guest Houses are valued at original value for the purpose of wealth tax provisions.
- 28. Exceptional items of ₹116209.31 million (NIL) appearing in the Statement of Profit & Loss Account represent the following :



S.No.	Nature of item	2013-14	2012-13
1	Provision written back – Pension & Gratuity	90133.88	–
2	Pension payout by MTNL recoverable from DOT (Net of pension contribution)	11026.69	–
3	Recoverable from gratuity trust due to reversal of liability in r/o combined service pension optees	999.93	
4	Amortization of intangible assets (BWA spectrum) written back	14048.81	–
Total		116209.31	–

Pension/Gratuity provision has been written back consequent on the issue of Notification by DOP & PW vide GSR No.138 (E) dt.03/03/2014 granting pensionary benefits by the Government to erstwhile Government employees absorbed in MTNL and opted for pension on combined service in the same manner as in BSNL.

Pension payouts (net of pension contribution) made by MTNL on behalf of DOT for the period from 01.10.2000 to 31.03.2013 have been written back in view of aforesaid notification.

Recoverable from Gratuity Trust is due to reversal of liability in respect of Combined Service Pension optee employees of MTNL in view of aforesaid notification.

Amortised amount of BWA Spectrum upto F.Y. 2012-13 has been written back during the year consequent to the decision of the Government of India to refund the one time entry fees for spectrum for BWA services initially allotted to MTNL consequent upon its return by MTNL. The Company had capitalized the one time spectrum fees for BWA services to the tune of ₹45339.70 Millions during the year 2009-10. The Company had amortized an amount of ₹ 14048.81 Million in the books up to F.Y.2012-13. The amount of ₹45339.70 million has been shown as recoverable from DoT.

29. In respect of Mobile Services Delhi, a sum of ₹ 258.94 Million (₹ 258.94 Million) claimed by TCL towards 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 international numbering plan of the respective countries and are not approved destinations as per approved interconnect agreement. Further these calls have 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 units have shown the above as contingent liability. The matter has been handed over to committee for investigation.

30. Disclosures pursuant to Para 5(viii) of General Instructions for preparation of Statement of Profit & Loss Account under Revised Schedule VI of the Companies Act, 1956:

- (a) Value of Imports calculated on C.I.F. basis

(i)	Raw Material	- Nil
(ii)	Components and Spare Parts	-Nil
(iii)	Capital Goods	-Nil

(b) Expenditure in Foreign Currency

- (i) Professional & Consultancy Fees = ₹ NIL(₹ 1.25 million)
(ii) Travel = ₹ NIL (₹0.30 million)
(iii) Others = ₹44.48 million (₹42.54 million)

(c) Earning in Foreign Exchange = ₹87.48 million (₹105.89 million)

(d) Consumption of stores is included under the normal heads of Capital Expenditure and/or Repairs & Maintenance, and the issue of imported and indigenous items are not separately priced/ identified.

31. (a) In case of Delhi Unit NIL (₹4.83 million) is outstanding against Micro, Small and Medium enterprises as defined in the Micro, Small and Medium Enterprise Development Act, 2006, to whom the company owes dues as at 31.3.2014. No interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.

The details of amount outstanding to Micro, Small and Medium Enterprises based on available information with the company are as under:-

Particulars	(₹ In Million)	
	2013-14	2012-13
(1) Principal amount due and remained unpaid	NIL	4.83
(II) Interest due on above and unpaid interest	NIL	NIL
(III) Interest Paid	NIL	NIL
(IV) Payment made beyond the appointed day during the year	NIL	NIL
(V) Interest due and payable for the period of Delay	NIL	NIL
(VI) Interest accrued and remaining unpaid	NIL	NIL
(VII) Amount of further interest remaining due and payable in the succeeding year	NIL	NIL

b) In case of Mumbai Unit, there is no reported Micro, Small and Medium enterprise as defined in the MSMED Act, 2006, to whom the company owes dues.

32. Employee Benefits –AS-15(R)

I. During the year, the Company has recognized the following amounts in the Statement of Profit and Loss.

a) Defined Contribution Plans

Particulars	(₹ In Million)	
	2013-14	2012-13
Employer Contribution to Provident Fund*	708.59	652.09
Leave Encashment Contribution for DOT employees**	7.61	19.19
Pension Contribution for DOT employees***	12.32	10.59



Pension Contribution for Company employees**** 1392.14 NIL

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

****Mentioned as Pension contribution-Company Employees

b) Defined Benefit Plans

(₹ In Million)

Particulars	2013-14		2012-13	
	Gratuity*	Pension	Gratuity*	Pension
Current Service Cost	188.75	–	613.23	2263.04
Interest Cost	1151.56	–	1119.80	6414.11
Expected Return on Plan Assets	(1148.44)	–	(1039.62)	–
Actuarial(gain)/loss	(346.04)	–	(710.07)	17786.70
Past Service Cost	–	–	–	–
Curtailment and Settlement Cost/(Credit)	–	–	–	–
Net Cost	(154.18)	–	(16.66)	26463.85
Benefits paid during the year	(1508.62)	–	(1227.97)	(3893.72)

*Mentioned as Gratuity for other than combined service pension optee employees in 2013-14 while in 2012-13 for all company employees.

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

Particulars	2013-14		2012-13	
	Gratuity	Pension	Gratuity	Pension
Discount Rate	8.50%	-	8.12%	8.12%
Salary/pension Escalation	3.50%	-	3.50%	3.50%
Future DA increase	4.00%	-	4.00%	4.00%
Current Expected rate of Return on Plan Assets	8.00%	-	8.00%	-

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

a) Benefit obligations.

(₹ In Million)

Particulars	2013-14		2012-13	
	Gratuity	Pension	Gratuity	Pension
Projected benefit obligation at beginning of the year	14181.74	–	13790.64	78991.46
Interest Cost	1151.56	–	1119.80	6414.11
Current Service Cost	188.75	–	613.23	2263.04
Past Service Cost	–	–	–	–
Benefit Paid	(1508.62)	–	(1227.97)	(3893.72)
Actuarial (Gain)/loss on obligations	(494.55)	–	(113.97)	17786.70
Projected benefit obligation at end of the year	3062.74	–	14181.74	101561.59


b) Plan Assets
(₹ In Million)
Particulars
Gratuity

	2013-14	2012-13
Fair Value of plan assets at beginning of year	14355.54	12995.26
Expected Return on Plan Assets	1148.44	1039.62
Contributions	(2609.13)	952.52
Benefit Paid	(1508.62)	(1227.97)
Actuarial gain/(loss) on Plan Assets	(148.51)	596.11
Fair Value of Plan Assets at the end of the year	11237.72	14355.54
Actual return on plan assets	999.93	1635.72
Total expenses recognized during the year	(154.18)	(16.66)

IV. Category of Investment in Gratuity trust as on 31.03.2014.

(₹ In Million)
Particulars
Amounts

Government of India Securities	3539.83	(3568.03)
Corporate Bonds	3976.16	(4440.13)
State Govt. Securities	3297.44	(2676.98)
Others	424.29	(3670.40)
Total	11237.72	(14355.54)

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, the Actuary has used 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.

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


34. Information regarding Primary Business Segments: - AS - 17
(₹ in Million)

S.No.	Particulars	Year Ended 31.3.2014 (Audited)	Year Ended 31.3.2013 (Audited)
1.	Revenue from Operations		
	Basic & other Services	26,456.82	26,961.09
	Cellular	7,668.81	7,593.17
	Unallocable	0.00	0.00
	Total	34,125.63	34,554.26
	Less: Inter unit Revenue- Basic	162.76	213.30
	Less: Inter unit Revenue- Cellular	45.53	54.33
	Net Revenue from Operations	33,917.35	34,286.63
2.	Segment result before interest income, exceptional items, finance cost, prior period items and tax		
	Basic & other Services	46,853.88	(31,367.78)
	Cellular	(1,050.52)	(4,797.60)
	Unallocable	(63,810.70)	(5,655.20)
	Total	(18,007.34)	(41,820.58)
	Add: Exceptional items	116,209.31	0.00
	Add: Interest Income	1,078.45	605.79
	Less: Finance cost	13,901.48	11,802.60
	Less: Prior period items	2,155.84	193.84
	Profit/ (Loss) before tax	83,223.11	(53,211.23)
	Less: Provision for Current & Deferred tax	4,971.79	0.00
	Less: Taxes for earlier period(s) written back/paid	0.00	0.00
	Profit/ (Loss) after tax	78,251.32	(53,211.23)
3.	Capital Employed		
	(Segment Assets - Segment Liabilities)		
	Basic & other Services	52,140.61	(42,574.37)
	Cellular	62,764.89	59,658.89
	Unallocable	(64,498.42)	(44,928.77)
	Total	50,407.07	(27,844.25)

Notes:-

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.

4. Finance cost is not allocated segment wise and is considered on over all basis

35. Related Parties Disclosure under AS-18

a) List of Related Parties and Relationships (as identified by the management and relied upon by the auditors)

Party	Relation
Millennium Telecom Limited	Wholly owned Subsidiary
Mahanagar Telephone Mauritius Ltd.	Wholly owned Subsidiary
United Telecom Limited	Joint Venture
MTNL STPI IT Services Ltd.	Joint Venture

b) Key Management Personnel

Mr. A.K. Garg	C.M.D.
Mr. P. K. Purwar	Director (Finance) from 01.06.2013
Mrs. Anita Soni	Director (Finance) upto 31.05.2013
Mr. Sunil Kumar	Director (HR)
Mr. B K Mittal	Executive Director, Delhi
Mr. Peeyush Aggarwal	Executive Director, Mumbai
Mr. A.K. Srivastava	CGM, WS, Mumbai
Mr. D. P. Singh	CGM, WS, Delhi

c) Related Party Transactions

Transactions	Subsidiary	Joint Venture	Key Management Personnel
Remuneration Paid	-	-	15.45 (11.39)
Loans & Advances	41.95 (37.17)	2.85 (2.79)	-

36. Earning/(Loss) Per Share - AS - 20

1) Profit/(loss) after Tax	₹ 78174.67 Million { ₹(-)53223.03 Million }
2) Number of Shares	630 Million
3) Nominal value of shares	₹ 10/-
4) Basic/ diluted EPS	₹ 124.09 { ₹(-)84.48 }

37. 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, on the basis of the company as a whole as a CGU.

38. 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 Services Limited (Joint Ventures) are consolidated in accordance with the Accounting Standard – 21 and Accounting Standard – 27 respectively.



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:-

(₹ in million)

Name of JV & Subsidiary	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	64.75	136.24	(71.49)	283.52	283.52
MTNL STPI IT Services Ltd.	20.20	17.46	2.74	28.02	28.02
Millennium Telecom Limited	1.84	3.74	(1.90)	57.78	57.78
Mahanagar Telephone Mauritius Limited	761.00	767.00	(6.00)	2053.01	2053.01
Total	847.79	924.44	(76.65)	2422.33	2422.33

39. Based on expert opinion, the company has not been deducting tax deducted at source on IUC services rendered by BSNL.
40. Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in the calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL proposed to surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. D.O.T. has been apprised of the same and the matter is still under correspondence. Apart from this, the issue of charges for spectrum given on trial basis is also to be decided. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability.

Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to D.O.T. no provision is made in the books of accounts as the amount is totally indeterminable. However the contingent liability of ₹32057.10 million is shown on the basis of the demand raised by D.O.T. in respect of GSM.

41. The matching of billing for roaming receivables / payables with the actual traffic intimated by the MACH is being done. Further the Roaming Income is booked on the basis of actual invoices raised by MACH on behalf of MTNL. Similarly the Roaming Expenditure is booked on the basis of actual invoices received by MTNL from MACH on behalf of the other operators. However, regarding collection, the payment is directly made in the bank by the other operators. The payment is made by various operators and for varying periods. The collection received from the operators are matched in totality against the total bill wise but the allocation of collection to individual operator's account is pending in the absence of detailed information which is being sought. Therefore although the Roaming Income and Expenditure are booked on actual basis, however in the absence of detailed information, the roaming debtors are reconciled in totality. Efforts are being made to allocate the collection on individual basis.



42. In view of losses, Debenture Redemption Reserve had not been created for the financial year 2012-13 in respect of 8.57% Redeemable Non-Convertible Debentures (in the form of Bonds). However, during the current year, provision for DRR have been made to the extent required under the Companies Act, 1956 and related rules etc. in this regard. During the current financial year the Company has created DRR to the tune of ₹452.71 million which includes the provision for DRR pertaining to F.Y.2012-13.
43. As per the accounting policy, Bonus/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company. However, during the current year, no provision for Bonus/ Exgratia has been made. The profits for the current year accrued not on account of increase in productivity but on the reversal of accounting entries made during the previous accounting period(s).
44. In Delhi MS unit, IUC-SMS Income and Expenditure for eight months amounting ₹20.86 Millions and ₹ 124.67 Millions respectively has been accounted for on provisional basis due to non-processing of data for technical problems.
45. Figures have been rounded off to the nearest million. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.

Sd/-
(S. R. Sayal)
Company Secretary

Sd/-
(K A Sarma)
DGM(A/cs)

Sd/-
(P. K. Purwar)
Director (Fin.)

Sd/-
(A. K. Garg)
Chairman & Managing Director

For V.K. Dhingra & Co.
Chartered Accountants
FRN No.000250N

For Arun K.Agarwal & Associates
Chartered Accountants
FRN No.003917N

Sd/-
Lalit Ahuja
(Partner)
Membership No. 085842

Sd/-
Vimal Kumar Jain
(Partner)
Membership No. 086657

Place : New Delhi

Date : 30/5/2014



MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Cash Flow Statement for the year ended 31st March 2014
[Pursuant to Clause 32 of the equity Listing Agreement (as amended)]

	2013-14 (₹ in Million)	2012-13 (₹ in Million)
A. Cash Flow from Operating Activities		
Net profit/ (loss) before Tax	85,332.54	(53,035.64)
Adjustment for:		
Prior period adjustment (net)	(1,963.22)	(38.82)
Profit on sale of fixed assets	(43.75)	(42.04)
Loss on sale of fixed assets	98.15	50.53
Depreciation & Amortisation	11,915.25	14,966.49
Finance Cost	13,907.93	11,808.68
Interest Income	(1,085.34)	(618.09)
Foreign Exchange Loss	134.01	-
Operating cash profit/ (loss) before working capital changes	108,295.58	(26,908.89)
Adjustment for:		
Trade and other receivables	(61,295.57)	(6,017.42)
Inventories	116.93	188.66
Trade and other payables	(93,173.00)	28,941.86
Cash generated from operations	(46,056.05)	(3,795.79)
Direct Taxes paid/adjusted (Net)	4,194.53	367.07
Net Cash Flow from Operating Activities	(41,861.52)	(3,428.73)
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including Capital WIP)	(1,983.07)	(7,366.76)
Sale of fixed assets	31,661.85	51.60
Interest received	1,164.77	879.57
Investments	(0.00)	2,500.00
Net Cash Flow from Investing Activities	30,843.55	(3,935.58)
C. Cash Flow from Financing Activities		
Proceeds from borrowings	25,841.08	18,939.31
Finance Charges (including interest) paid	(13,472.90)	(11,635.45)
Raising of Share Capital	-	-
Net Cash Flow from Financing Activities	12,368.18	7,303.86
D. Net Increase/ (Decrease) in Cash and Cash Equivalent	1,350.20	(60.45)
Cash and Cash equivalent as at the beginning of the year	1,280.82	1,341.27
Cash and cash equivalent as at the end of the year	2,631.02	1,280.82
Cash and cash equivalent as at the end of year represented by		
Cash in hand (including cheques/drafts in hand)	28.17	79.40
Balance with bank in current account (net of provisions)	2,476.06	1,061.25
Balance with bank in Fixed Deposit account	126.80	140.16
TOTAL	2,631.03	1,280.82

Note: Previous year figures have been regrouped/rearranged wherever necessary

In terms of our report of even date attached

For V.K. Dhingra & Co.
Chartered Accountants
FRN: 000250N
sd/-
(Lalit Ahuja)
(Partner)
M.No. 085842

For Arun K. Agarwal & Associates
Chartered Accountants
FRN: 003917N
sd/-
(Vimal Kumar Jain)
(Partner)
M.No. 086657

sd-
(S.R. Sayal)
(Co. Secy)
sd/-
(P.K. Purwar)
Director
(Finance)

sd-
(K.A. Sarma)
DGM (Accounts)
sd-
(A.K. Garg)
Chairman & Managing
Director

Place : New Delhi
Date : 30th May, 2014



MTNL

ANNEXURE TO DIRECTOR'S REPORT

Addendum to Director's Report 2013-14

Replies of Management to Auditors Report with regard to qualifications for the year 2013-14

Auditors Report

Reply of the Management

(i) The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 23640.05 million is subject to reconciliation and confirmation. In view of non reconciliation/ confirmation and also in view of various pending disputes regarding each other's claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company. (Also refer point no.11 of note no.35 to the financial statements).

Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT.

(ii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 84202.51 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company. (Also refer point no.15 of note no.35 to the financial statements).

Management has taken up the matter of reconciliation and settlement with the Administrative ministry. .



(iii) Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of ₹ 1403.63 million instead of actual liability resulting in understatement of current liabilities and over statement of profit to that extent. (Also refer point no.17 of note no.35 to the financial statements).

The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability.

(iv) The Company continues to allocate the establishment overheads towards capital works on estimated basis. In view of the basis being not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" issued under the Companies (Accounting Standards) Rules, 2006, the same results into overstatement of capital work in progress/ fixed assets and overstatement of profits. The actual impact of the same on the financial statements for year is not ascertainable and quantifiable. (Also refer note no.25 and 28 to the financial statements).

As regards the allocation of over heads in line with AS-10, MTNL has appointed a consultant and on receipt of his report necessary further action will be taken.



- (v) No adjustment has been considered on account of impairment loss during the year, with reference to AS-28 "Impairment of Assets" issued under Companies (Accounting Standards) Rules, 2006. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the profit for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer point no. 36 of note no.35 to the financial statements).
- The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2014 there is no impairment.
- (vi) To work out the liability towards wealth tax, vacant land and guest houses/ inspection quarters are taken at their book values instead of valuation the same as per Wealth Tax Act / Rules resulting into over statement of profit resulting from lower wealth tax and also corresponding understatements of liabilities. In the absence of valuation as at the year end, we are not in a position to ascertain and quantify the impact thereof on financial statements. (Also refer point no. 26 of note no.35 to the financial statements).
- The properties have been acquired by the company for its use and most of them are not titled in the name of MTNL and are given on perpetual lease by the municipal authorities and therefore the same were valued at cost at which the same were acquired only.
- (vii) Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the financial statements is not ascertainable and quantifiable. (Also refer point no. 23 of note no.35 to the financial statements).
- Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted

for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts. Since the payables and receivables are settled as stated above and the same is a continuous process , necessary adjustments entries, if any, will be made on reconciliation wherever necessary.

(viii) Dues from the operators are not taken into account for making provision for doubtful debts. Also no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 3(b) of note no.1 to the financial statements).

The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic/GSM/CDMA has been done as per the policy.

(ix) (a) In Delhi Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on financial statements cannot be ascertained and quantified at present. (Also refer point no. 16(a) of note no.35 to the financial statements).

The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on after reconciliation.

a) In Delhi unit the reconciliation is in progress.

(b) Unlinked credit of ₹ 212.42 million on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as

b) The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary

liabilities in the balance sheet. To that extent, both assets and liabilities are overstated. (Also refer point no. 16(e) of note no.35 to the financial statements).

adjustments entries, if any, will be made on reconciliation, if necessary.

(c) The aggregate balance of trade receivables as per the ageing summary in subsidiary records is lower by ₹ 66.56 million as compared to the balance in general ledger and is under reconciliation. The same has been provided for. Pending reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified. (Also refer point no. 16(f) of note no.35 to the financial statements).

(c) The same is under reconciliation and effect if any will be accounted for accordingly.

(x) In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending. Pending such reconciliation, the impact of the same on the financial statements can not be ascertained and quantified. (Also refer point no.40 of note no.35 to the financial statements).

Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/ international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and no irregularity has been noticed on this account . However efforts are being made to get the reconciliation done to the micro level of invoice also.

- | | |
|--|---|
| <p>(xi) Fixed assets are generally capitalized on the basis of completion certificates issued by the engineering department. Due to delays in issuance of the completion certificates, there are cases where capitalization of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalized in the balance sheet cannot be ascertained.</p> | <p>Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP.</p> |
| <p>(xii) Pending reconciliation of income from recharge coupons/ITC cards/prepaid calling cards and stock of such coupons/cards, the impact thereof on the financial statements cannot be ascertained and quantified.</p> | <p>Reconciliation of such items is ongoing process. The income on the recharge coupons, prepaid calling cards etc. is booked on sale and at the end of accounting period the unspent value of talk time is taken as advance income for appropriate accounting.</p> |
| <p>(xiii) The Company had invested ₹1000 million in 8.75% Cumulative Preference Shares of M/S. ITI Limited during the year 2001-02. As per the terms of allotment, the said preference shares were to be redeemed in five equal installments. As per letter no. U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the said preference shares was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. has failed to meet its rescheduled obligation in respect of first two installment of ₹ 200 million each payable in 2012-13 & 2013-14. Since M/s. ITI Ltd. has not complied with even rescheduled commitments, the Company has made a provision for the first two installment of ₹ 400 million only instead of providing for full investment of ₹ 1000 million. This has resulted into over statement of profit by ₹ 600 million and</p> | <p>The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹1000 Million 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 ₹200 Million each, aggregating to ₹1000 Million 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. The installments which were due in 2012-13 and 2013-14 have not been paid and necessary provision for the overdue installments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments</p> |



overstatement of non current investments by ₹ 400 million and also overstatement of current investments by ₹ 200 million. (Also refer point no. 14 of note no.35 to the financial statements).

made by M/S ITI and as funds will be made available after budget 2014-15 is passed and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7-5-2014 informed that upon receipt of the financial assistance from the Govt. the redemption process would be initiated.

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

The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL. As such there is no impact expected due to the classification.

(xv) Department of Telecommunication (DOT) had raised a demand of ₹ 33131.50 million in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.

As explained the demand for spectrum usage for CDMA has been revised by ₹ 1074.40 million on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum,

Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. D.O.T. has been apprised of the same and the matter is still under correspondence. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of

crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹ 32057.10 million has been disclosed as contingent liability.

charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of ₹32057.10 million is shown on the basis of the demand raised by D.O.T.in respect of GSM.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the financial statements of the Company. (Also refer point no. 39 of note no.35 to the financial statements).

In view of the above we are not in a position to comment on the correctness of the stand taken by the company and the ultimate implications of the same on the financial statements of the company. (Also refer point no. 41 of note no.34 to the financial statements).

(xvi) Segment Assets and Segment Liabilities in respect of primary segment have not been ascertained and disclosed by the Company. In the absence of required information, we are not in a position to ascertain and quantify the impact of the same on segment results. (Also refer point no. 33 of note no.35 to the financial statements)

The report in the notes to accounts is made consistently over the last few years without any adverse review and the same is followed this year also and there is no deviation. Besides this format is adopted as per the listing agreement without any change. Besides the AS-17 format for segment disclosures is illustrative only and does not form part of the standard whereas the format prescribed in listing agreement is mandatory and the same is being followed consistently. As such neither there is deviation of AS-17 nor of listing agreement in principle.



(xvii) Other current assets include claim of Income tax refund for F.Y. 1999-2000 of ₹ 1015.43 million arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department . This includes tax amount of ₹ 603.03 million and interest accrued thereon amounting to ₹ 412.40 million. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.

Income Tax receivables include appeal effect of ₹1015.43 million pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of Rs 603.03 million and interest accrued thereon amounting to ₹412.40 million. The case is under pursuance and appropriate action will be taken as per the decision of Income tax authorities.

(xviii) The balances appearing in the advance tax/income tax receivable / tax deducted at source / interest on income tax and provisions for taxes are subject to reconciliation with the tax records. Pending reconciliations we are not in a position to comment on the correctness of the same and consequential impact of the same on the financial statements of the Company.

The balances appearing in advance tax, provisions for income tax and interest on income tax refunds are subject to reconciliation with the figures of the tax records and the process is being done in a continuous manner and effect of it will be taken as and when the issues get effected due to allowing of refund or otherwise or settlement of appeals etc..

(xix) In respect of absorbed combined service pension optee employees of MTNL, part of the pensionary benefits paid in the earlier years were capitalized along with the capital work in progress. However while reversing the same in the current year in view of the same having been taken over by Govt. of India as per notification dated March 03, 2014, capitalized portion of earlier years has also been taken to Statement of Profit and Loss and reflected as part of exceptional items without decapitalising the portion capitalized in earlier years. In the absence of details pertaining to

The accounting standards contemplate (1) revaluation of assets under AS-10 as well as (2) review of assets for impairment under AS-28 only but does not in normal circumstances contemplate or provide for reversal of overheads allocated and already capitalised as well as depreciated over a period of time in this manner. Therefore, it is done as per accounting standard and practically also not feasible since some of the assets are already decapitalised or disposed off.

previous years, we are not in a position to comment on the impact of the same on the financial statements.

In the absence of information, the effect of which cannot be quantified, we are unable to comment on the possible impact of the items stated in the point nos.(i), (ii), (iv), (v), (vi), (vii), (viii), (ix)(a),(ix)(c), (x), (xi), (xii),(xiv), (xv), (xvi), (xvii), (xviii) and (xix) on the financial statements of the Company for the year ended on 31st March 2014.

We further state that without considering the impact of items stated in preceding para, the effect of which could not be determined, had the observations made by us in point nos (iii),(ix)(b) and,(xiii)) been considered in the financial statements, profit for the year would have been ₹76247.68 million as against the reported figure of ₹78251.31 million in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 2705.58 million as against the reported figure of ₹2918.00 million, Non Current Investments and Current Investments would have been ₹1419.79 million and ₹nil million as against the reported figures of ₹ 1819.79 million and ₹ 200 million respectively, Other Current Liabilities would have been ₹30047.60 million as against the reported figure of ₹28856.39 million in the Balance Sheet.

Confidential



क्रमांक

No. : PSU A/cs./F-79/Ann. Acct./MTNL/2013-14/578

Dated : 02/09/2014

कार्यालय

महानिदेशक लेखापरीक्षा, डाक व दूरसंचार

शाम नाथ मार्ग, (समीप पुराना सचिवालय), दिल्ली-110054

OFFICE OF THE

Director General of Audit, Post & Telecommunications

Sham Nath Marg, (New Old Secretariat), Delhi-110054

To

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

Subject: Comments of Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March, 2014.

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 2014 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

(R.B. Sinha)

Director General of Audit (P&T)

Encl(s): As above



Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1965 on the accounts of Mahanagar Telephone Nigam Limited (MTNL) for the year ended 31 March 2014.

The preparation of financial statements of Mahanagar Telephone Nigam Limited (MTNL), for the year ended 31 March 2014 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 Standards on Auditing 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 30th May 2014.

I, on 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 Mahanagar Telephone Nigam Limited (MTNL) for the year ended 31 March 2014. 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 is necessary for enabling a better understanding of the financial statements and the related Audit Report.

A. Profit and Loss Account

1. Administrative, Operative and Other Expenses (Note No. 28) - ₹ 10749.14 million

The Department of Telecommunication raised (July 2013) demand for ₹1887.70 million towards Provisional Assessment of License fee dues for the period from 2006-07 to 2009-10. The same has not been provided for by the Company in the current year Accounts. Non-provision for License Fees pertaining to the period from 2006-07 to 2009-10, demanded by Department of Telecommunication, resulted in understatement of current liabilities and overstatement of profit by ₹1887.70 million.

2 Exceptional Items (Note No. 34) - ₹ 116209.31 million

Provision written back- Pension and Gratuity - ₹ 90133.88 million Pension Payout by MTNL recoverable from DOT (Net of Pension Contribution) - ₹11026.19 million

Consequent upon the decision of the Government (March 2014) to treat the combined service pension optee employees of MTNL on par with BSNL employees w.e.f. 1st October 2000, the Company had written back provisions of Pension and Gratuity, Pension payouts made by MTNL recoverable from DoT



(Net of Pension Contribution) and recoverable from Gratuity Trust (₹ 102,160.50 million). However, an amount of ₹1738.10 million was to be paid to the Government on account of interest for delayed payment of leave salary and pension contribution for the period from 01st April 1986 to 30th September 2000, which was not paid by MTNL as per records provided by the Company. Further, the payments of Leave Salary & Pension Contribution in respect of Group A, C and D officials as per Report of the committee constituted for the purpose were netted on estimation basis without any actual claim duly supported with the schedules. As the Company had not provided for the interest on the delayed payment, the above amounts are overstated to that extent. Consequently, Current Liability is understated and Reserve and Surplus is overstated by ₹ 1738.10 million.

B. Notes to Accounts

(i) The cabinet approved (Jan 2014) the refund of ₹ 45339.70 million representing one time BWA spectrum fee paid to DoT in 2010 and allowed MTNL, to raise bonds worth ₹ 45339.70 million with sovereign guarantee to be provided by Government without guarantee fee and with repayment of bonds and interest being the responsibility of the Government. The Company requested the DoT for the sovereign guarantee for ₹45339.70 million for issuance of bonds. However, the Department of Economic Affairs approved the sovereign guarantee for bonds of ₹10000 million only. Against this, MTNL could issue bonds (3A-2014 series) for an amount of ₹ 7650 million only in 2013-14. The fact that Debentures 3A series valued ₹7650 million were issued in lieu of refund of onetime BWA spectrum fee by the DOT should have been disclosed.

(ii) Non-reconciliation of balances with Bharat Sanchar Nigam Ltd.

As per the accounts of MTNL for the year 2013-14, the amount recoverable from and the amount payable to BSNL was ₹41860.40 million and ₹18282.54 million respectively resulting in net recoverable amount of ₹ 23577.86 million from BSNL. However, as per draft annual accounts of BSNL for the year 2013-14, the recoverable from and the amount payable to the Company were ₹35179.52 million and ₹ 9960.15 million respectively resulting in a recoverable amount of ₹25219.37 million from MTNL. Thus, there is a net difference of ₹ 48797.23 million in the receivable/payable amounts between these two government companies under the same Ministry. This comment was raised on accounts of the Company for the year 2012-13 also. However, there is no change in the status of unreconciled balances between the Company and BSNL.

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

Sd/-
(R.B. Sinha)

Principal Director of Audit (P&T)

Place: Delhi

Date: 02 September, 2014



ANNEXURE TO DIRECTOR'S REPORT

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 for the accounts of Mahanagar Telephone Nigam Limited, New Delhi (MTNL) for the year ended 31st March 2014.

Comments of CAG of India

Reply of MTNL Management

A. Profit & Loss Account

(i) Administrative, Operative and Other Expenses (Note No. 28) - ₹10749.14 million

The Department of Telecommunication raised (July 2013) demand for ₹1887.70 million towards Provisional Assessment of License fee dues for the period from 2006-07 to 2009-10. The same has not been provided for by the Company in the current year Accounts. Non-provision for License Fees pertaining to the period from 2006-07 to 2009-10 demanded by Department of Telecommunication resulted in understatement of current liabilities and overstatement of profit by ₹1887.70 million

Against the demand of ₹1887.70 millions raised by DOT towards Provisional Assessment of License Fee dues for the period from 2006-07 to 2009-10, MTNL represented to DOT that the calculation of Adjusted Gross Revenue (AGR) and disallowance of deductions claimed from Gross Revenue for computation of license fee is not as per the agreement and need to be reviewed since Internet income which is not subject to license fee was also included in the AGR of Basic service, as well as, pass through charges paid to BSNL on netting basis as per the arrangement between MTNL & BSNL, was also added back by DOT. Further, while calculating the AGR, non revenue items and Inter unit adjustments were disallowed.

The representation of MTNL dated 03.02.2014 to Director (LF-II), DOT explaining all the above aspects has been sent to Jt. CCA, Mumbai by DOT for review and necessary action vide their letter no.17-14/2012/LF dated 12.03.2014.

As such the issue is under review by DOT and as per submission and MTNL records no license fee dues are pending against MTNL. Since there is no acknowledged debt as of date, in view of the issue not attaining finality and confirmation by DOT, there was no justification for creation of provision for it. Hence, there is no understatement of current liabilities and overstatement of profit in this regard.



(ii) Exceptional Items(Note No.34) - ₹ 116209.31 million Provision written back- Pension and Gratuity - ₹ 90133.88 million Pension Payout by MTNL recoverable from DOT (Net of Pension Contribution) - Rs. 11026.19 million

Consequent upon the decision of the Government (March 2014) to treat the combined service pension optee employees of MTNL on par with BSNL employees w.e.f. 1st October 2000, the Company had written back provisions of Pension and Gratuity, Pension payouts made by MTNL recoverable from DoT (Net of Pension Contribution) and recoverable from Gratuity Trust (₹102,160.50 million). However, an amount of ₹1738.10 million was to be paid to the Government on account of interest for delayed payment of leave salary and pension contribution for the period from 01st April 1986 to 30th September 2000, which was not paid by MTNL as per records provided by the Company. Further, the payments of Leave Salary & Pension Contribution in respect of Group A, C and D officials as per Report of the committee constituted for the purpose were netted on estimation basis without any actual claim duly supported with the schedules. As the Company had not provided for the interest on the delayed payment, the above amounts are overstated to that extent. Consequently, Current Liability is understated and Reserve and Surplus is overstated by ₹1738.10 million.

The Dept. of Telecom vide their letter No. 7-17/2002/TA-I/VOL-II(KW) dt.28.6.2006 categorically apprised that on receipt of amount of Rs. 15.57 crores due from MTNL towards the balance outstanding amount of LSPC (Leave Salary & Pension Contribution) for the period from 1.4.1986 to 30.9.2000 (for all employees i.e. Gr A,B,C&D), the waiver of interest of ₹ 1738.10 million towards delayed payment of LSPC would be considered. Subsequently DOT conveyed the adjustment of ₹ 15.57 crores from the excess amount of entry fee of ₹ 22.50 crores lying with DOT, payable to MTNL vide letter no 10-32/2002-BS-I dated 10-7-2006. Thereafter in view of the payment of balance amount of ₹ 15.57 crores, no further issue has been raised by DOT in this regard and accordingly it has reached to finality so far as MTNL is concerned. Accordingly, no liability is created since there is no liability outstanding as acknowledged debt on account of LSPC after the above settlement made in the year 2006. As such there is neither overstatement of exceptional items and reserves and surplus nor understatement of current liabilities.

B. Notes to Accounts

- (i) The cabinet approved (Jan 2014) the refund of ₹ 45339.70 million representing one time BWA spectrum fee paid to DoT in 2010 and allowed MTNL to raise bonds worth 45339.70 million with sovereign guarantee to be provided by Government without guarantee fee and with repayment of bonds and interest being

Noted.



the responsibility of the Government. The Company requested the DOT for the sovereign guarantee for ₹ 45339.70 million for issuance of bonds. However, the Department of Economic Affairs approved the sovereign guarantee for bonds of ₹ 10000 million only. Against this, MTNL could issue bonds (3A-2014 series) for an amount of ₹ 7650 million only in 2013-14. The fact that Debentures 3A series valued ₹ 7650 million were issued in lieu of refund of onetime BWA spectrum fee by the DOT should have been disclosed.

(ii) Non-reconciliation of balances with BSNL.

As per the accounts of MTNL for the year 2013-14, the amount recoverable from and the amount payable to BSNL was ₹ 41860.40 million and ₹18282.54 million respectively resulting in net recoverable amount of ₹ 23577.86 million from BSNL. However, as per draft annual accounts of BSNL for the year 2013-14, the recoverable from and the amount payable to the Company were ₹ 35179.52 million and ₹ 9960.15 million respectively resulting in a recoverable amount of ₹ 25219.37 million from MTNL. Thus, there is a net difference of ₹ 48797.23 million in the receivable/payable amounts between these two government companies under the same Ministry. This comment was raised on accounts of the Company for the year 2012-13 also. However, there is no change in the status of unreconciled balances between the Company and BSNL.

For & on Behalf of C&AG of India

Sd/-
(R. B. Sinha)
Director General of Audit (P&T)

The matter for reconciliation with BSNL has been taken up by MTNL with administrative ministry vide its letter dated 21.11.2012 and 19.01.2013. DOT vide letter dated 25.06.2013 has constituted a high level committee consisting representative of DOT, MTNL and BSNL to resolve the issues relating to carriage charges, IUC, infrastructure charges, roaming charges and enterprise business etc. The matter has been taken up by MTNL with BSNL and DOT consistently in the year 2013-14 also. Since the reconciliation is in progress, impact if any, will be accounted in the books of accounts only on completion of the reconciliation between both the companies.

For & on Behalf of the Board

Sd/-
(P. K. Purwar)
CMD & Director (Finance)



**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 | 31 st March, 2014 |
| 3. Extent of MTNL's interest in MTL at the end of financial year 2013-14 | 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 31 st March 2014 | ₹ -1697258 |
| ii) For previous F.Y.s of MTL since it became subsidiary | ₹ 18278410 |
| 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 31 st March 2014 | 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 MTL, then: | Not Applicable |
| (a) Change in MTL'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 MTL 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

sd/-
(S.R. Sayal)
Company Secretary

sd/-
(K.A. Sarma)
DGM (Accounts)

sd/-
(P.K. Purwar)
Chairman & Managing Director

Place: New Delhi

Date: 20/08/2014



**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, 2014 |
| 3. Extent of MTNL's interest in MTML at the
end of financial year 2013-14 | 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 2014 | ₹ 26540330 |
| b. For previous F.Y.s of MTML since
it became subsidiary | ₹ (61615593) |
| 5. 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 2014 | Nil |
| ii) For previous F.Y.s of MTML 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 MTML between
the end of F.Y. of MTNL and that of MTML | |
| (b) Details of material changes which have
occured 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

sd/-
(S.R. Sayal)
Company Secretary

sd/-
(K.A. Sarma)
DGM (Accounts)

sd/-
(P.K. Purwar)
Chairman & Managing Director

Place: New Delhi

Date: 20/08/2014



MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

DIRECTOR'S REPORT

Dear Shareholders of Millennium Telecom Ltd. (MTL)

The Board of Directors of your company have pleasure in presenting the 14th Annual Report of your Company together with Statement of Accounts and Auditors Report for the year ended on 31st March, 2014 and report as under:

FINANCIAL PERFORMANCE:

Your company (MTL) has suffered a Net loss of ₹16,97,258/- for the financial year ended 31st March, 2014 as against the Net Loss of ₹20,19,378 /- last year (2012-13).

The company has earned other Income (Interest from Bank Fixed Deposit) amounting to ₹18,39,036/- in the financial year ended 31st March, 2014 as against ₹20,11,398/- last year.

OPERATIONS

Your Company was formed by Mahanagar Telephone Nigam Limited (MTNL) as its wholly owned subsidiary company basically for providing internet and other value added services in the year 2000. During the financial year 2013-14 the Board of MTL has proposed to take up the new business for increasing the revenue and making the Company profitable simultaneously. Some of the new work orders being undertaken by the company are as follows:

1. MTNL has given its recovery case of its CWG project from the Govt. to be pursued by MTL for which an amount equivalent to 5% of the amount recovered will be paid to MTL as its consultancy charges.
2. Non-Telecom component work in MTNL's contracts/projects to be awarded to MTL on nomination basis.
3. Video surveillance contract bagged by MTNL to be given to MTL on nomination basis.
4. To start Bundled Services for MTNL products/services.
5. To undertake the Disaster Management Services of the Govt. of Maharashtra and Govt. of Gujarat.



6. To undertake Infrastructure Leasing Business of MTNL Mumbai.
7. To undertake the Data centers Leasing /Hiring of MTNL and other PSU telecoms like. M/s BSNL, ITI, MSITS.
8. To undertake remote monitoring of customer network.
9. To undertake capacity building and skill development programme.
10. To perform end-to-end ICT Solution provider alongwith operation & maintenance.
11. To launch, operate, provide and maintained Cloud and managed services.

MTL also proposes to get ISO 9000 certification, SMSE Registration, Risk Analysis and PMT.

Some officers of MTNL have been nominated to take care of the work of MTL in addition to their existing duties & responsibilities. This is done for gearing up of MTL organization since lot of businesses is available in the market.

The Board of the company is working on the above lines of businesses and is hopeful to generate revenue in the years to come.

Your Company has obtained ISP-IT license in the year 2002. At that time there were neither any license acquisition charge nor license burden on the part of license. Though license was acquired, MTL never established its own network for service roll out in last 12 years. In 2012, on the ground of creating level playing field among service providers proposal was initiated in DoT to impose license fee as a percentage of AGR on ISP-IT license also. In its recommendations issued on 01.05.2014, TRAI has also recommended for imposing license fee on ISP-IT license.

The Board has accordingly taken a decision to surrender the said ISP License. In case, at a later date, if it is considered necessary, MTL can apply for the same and the license will be obtained on payment of License Fee.

STATUS OF WORK ORDERS RECEIVED SO FAR :

Your Company has received work orders worth ₹ 17.94 Cr from the Deptt of IT, Govt. of J&K for skill development in electronic system, design & manufacturing, ITC, literacy for woman /SC/ ST and IT M/S literacy scheme. Your Company has also received work orders for ₹ 0.56 Cr. from National Highway Authority Of India and Air- India. (NHAI)



SHARE CAPITAL

There has been no change in the Share Capital and Shareholding of the Company.

The paid up Share Capital of the Company is ₹ 2, 87, 58,800/- (28, 75,880 equity shares of Rs 10/- each). All the shares are held by MTNL and its nominees.

DIVIDEND

In the absence of any operating income, the Board of Directors has not considered it prudent to recommend any dividend for the year ended on 31.03.2014.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217(2AA) of the Companies Act 1956 & Section 134(5) of the Companies Act, 2013, the Board of Directors to the best of their knowledge and belief confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had 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;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 & Companies Act, 2013 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis and
- (e) the directors, in the case of a listed Company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating efficiently.
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.



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 earnings and expenditure.

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. It may be mentioned here that your company has not recruited any staff and all the work of the Company is being looked after by the officers of MTNL (the holding company) as additional charge, without any additional remuneration/burden on the Company.

NUMBER OF MEETING OF THE BOARD OF DIRECTORS IN THE FINANCIAL YEAR 2013-14

During the FY 2013-14 five meetings of Board of directors of your company were held. Details of Board meetings is given below:-

Sl. No.	Meeting No.	Date	Place
1	63	28.05.2013	New Delhi
2	64	30.07.2013	New Delhi
3	65	17.09.2013	Mumbai
4	66	20.12.2013	New Delhi
5	67	13.03.2014	New Delhi

DIRECTORS

Shri. N.K Joshi continued to be the Govt. Nominee Director of your Company till 25.07.2014. and Govt. of India (DoT) vide letter No. F. No. 5-2/2013-PSA dtd. 27.07.2014 has nominated Shri R.K. Mishra, DDG(SU) as nominee director in his place.

Shri. Sunil Kumar, Shri. Peeyush Agrawal, Shri. Pankaj Yadav were appointed as Nominee Directors of MTNL (the holding Company) on the Board of the Company on 25.07.2013.

Shri. A.K. Garg chairman has ceased to be Nominee Director of MTNL on the Board of Company w.e.f 25.07.2013.



CHIEF OPERATING OFFICER

Shri Gunjan Prasad Sinha, GM(EB& MKTG), MTNL Corporate office has been appointed as the Chief Operating Officer (COO) of the company.

COMPLIANCE CERTIFICATE

The Compliance Certificate issued by M/s V.K.Sharma & Co.(FCS:3440), Company Secretaries relating to compliance of various provisions of the Companies Act, 1956 pursuant to Section 383A of the Companies Act 1956 is enclosed as Annexure I to the Director's Report.

AUDITORS

M/s A.M. Jain & Co., Chartered Accountants (FRN: 103883W) has been appointed as Statutory Auditors of your company by Comptroller & Auditors General of India (C &AG) for the year 2014-15 vide letter no. CA.V/COY/CENTRAL GOVT. MTL TEL(1)/316 dtd. 08.08.2013 which has been ratified by the Board in its 66th Meeting held on 20th December, 2013.

COMMENTS OF THE COMPTROLLER AND AUDIT GENERAL OF INDIA UNDER SECTION 619(4) OF THE COMPANIES ACT 1956:

A 'Non- Review' Certificate giving Comments of the Comptroller & auditor General of India Vide letter No.P&T A/CS/F-78/Ann Act/MTL/2013-14/406 dtd 04/07/2014 is annexed as Annexure II and forms part of this report.

ACKNOWLEDGEMENT

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

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

For and on behalf of Board of Directors

Sd/-

(Sunil Kumar)
CHAIRMAN
DIN : 06628803

Place : New Delhi

Date : 14-08-2014



A.M. JAIN & CO.
Chartered Accountants

103-33, Malhotra Chamber,
Police Court Lane, D.N. Road,
Fort, Mumbai-400001
Tel : 022-22622503/66355022
Fax : 022-22654662
E-mail : amjainandco@gmail.com
Website : www.amjainandco.com

INDEPENDENT AUDITOR'S REPORT

To,

The members of **Millennium Telecom Limited**

Report on Financial Statements

1. We have audited the accompanying financial statements of Millennium Telecom Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2014, the Statement of Profit and Loss account and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

2. Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor



considers 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, 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

4. In our opinion and to the best of our information and according to the explanations given to us and subject to **Note No.19.7 & 19.10** in financial statement, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
 - b) in the case of the Profit and Loss Account, of the loss 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.

Report on Other Legal and Regulatory Requirements

5. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
6. As required by section 227(3) of the Act, we report that:
 - a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books except that minute books and other statutory registers are maintained at Delhi Office instead of at Registered Office in Mumbai as required by law.



- c) the Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;
- d) in our opinion, the Balance Sheet and Statement of Profit and Loss comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
- e) on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

Other Matters: If any.

Nil

For A.M.Jain & Co.
Chartered Accountants
FRN: 103883W

SD/-
(C.A.Arun Kumar Jain)
(Partner)
M.No.038983

Place: Mumbai

Date: 28 May, 2014



Annexure referred to in Paragraph 5 of our Report of even date to the Members of Millennium Telecom Limited on the accounts for the year ended 31st March 2014.

1. In respect of Fixed Assets:
 - a) We are informed that the Company has maintained the Fixed Asset register but the same was not updated showing depreciation and WDV of each asset.
 - b) As explained to us, the fixed assets have been not been physically verified by the management during the year.
 - c) As per the information and explanation given to us, the company has not disposed of substantial part of fixed assets during the year.
2. In respect of Inventories:
 - a) As the company is not dealing in any goods, reporting on clause 4 (ii) (a) to (c) does not apply to the Company.
3. In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:
 - a) The company has granted unsecured loan to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance outstanding during the year was ₹1,74,213/-.
 - b) In our opinion and according to the information and explanations given to us, the said loans are interest free and other terms and conditions on which the said loans have been taken are not prima facie prejudicial to the interest of the company.
 - c) The said unsecured loans given by the company to its holding Company MTNL are repayable on demand and therefore the question of overdue amount does not arise.
 - d) The company has taken unsecured loans from its holding Company MTNL, the outstanding balance as on 31st March, 2014 is ₹24,47,473. As per the explanation given to us by the 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.
 - e) In our opinion and according to the information and explanations given to us, the said loans are from its holding Company MTNL, therefore rate of interest and other terms and conditions does not apply.
 - f) 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.

4. In our opinion and according to 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 and services. During the course of our audit, we have not observed any major weakness in internal controls.
5. In respect of transactions covered under section 301 of the Companies Act, 1956:
 - a) According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register required to be maintained u/s 301 of the Companies Act, 1956 are duly entered 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 Mumbai office for verification of the Auditor, but the Company has not produced the same before us.
 - c) Since register maintained u/s 301 are not available for verification, we unable to comment whether the terms & conditions and prices of transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 are reasonable.
6. In our opinion and according to the information given to us, the company has not accepted any deposits from the public within the meaning of section 58 A or 58 AA or any other relevant provisions of the Companies Act, 1956.
7. The Company has no formal internal audit system. However, its control procedures ensure reasonable internal checking of its financial and other records.
8. The Central Government has not prescribed maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 for any products of the company.
9. In respect of statutory dues:
 - a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess, and other material statutory dues applicable to it for a period of more than six months from the date they became payable.
 - b) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess outstanding on account of any dispute **except Income tax liability of ₹1,44,63,397 pending with Commissioner of Income Tax & ITAT.**



10. The company does not have accumulated losses at the end of the financial year but it has incurred cash losses in the current year and in immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution, bank or debenture holders.
12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4 (xiii) of the Companies (Auditors' Report) Order 2003 is not applicable to the company.
14. The company does not have activities pertaining to trading in securities, debentures and other investments, therefore comment on clause 4 (xiv) is not required.
15. On the basis of the information and explanations given to us the company has not given any guarantees for loans taken by others from banks or financial institutions.
16. During the year the company has not taken any term loan and hence comment on Clause 4 (xvi) of the said order is not required.
17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.
18. According to the information and explanations given to us, during the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
19. During the year covered by our audit report, the company has not issued any debentures.
20. The company has not raised any money by way of public issue during the year.
21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

For A.M. Jain & Co.,
Chartered Accountants
FRN: 103883W

Arun Kumar Jain
Partner
M.No.038983
Place: Mumbai
Dated : 28 May, 2014



MTNL

MILLENNIUM TELECOM LIMITED
BALANCE SHEET AS AT 31st MARCH 2014

PARTICULARS	NOTE NO.	AS AT 31.03.2014 (₹)	AS AT 31.03.2013 (₹)
I. EQUITY & LIABILITIES :			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	3	28,758,800	28,758,800
(b) Reserves & Surplus	4	17,369,443	19,273,591
		46,128,243	48,032,391
3. Non-current liabilities			
(a) Deferred tax liabilities (net)	20.2	4,539	6,435
		4,539	6,435
4. Current liabilities			
(a) Short-term borrowings	5	2,447,473	5,683,927
(b) Trade payables	6	3,007,380	3,046,349
(c) Other current liabilities	7	6,189,235	5,702,580
		11,644,088	14,432,856
		57,776,870	62,471,682
B. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	8	314,917	366,558
		314,917	366,558
(b) Long-term loans and advances	9	16,799,596	17,025,736
(c) Other non-current assets	10	4,528,400	6,792,600
		21,327,996	23,818,336
2 . Current assets			
(a) Trade receivables	11	13,637,395	13,637,395
(b) Cash and cash equivalents	12	21,919,152	24,259,063
(c) Short-term loans and advances	13	174,213	174,213
(d) Other current assets	14	403,197	216,117
		36,133,957	38,286,788
TOTAL		57,776,870	62,471,682

**SIGNIFICANT ACCOUNTING POLICIES AND
NOTES ON ACCOUNTS**

**1, 2, 19
to 21**

As per our report attached

For M/s A.M. Jain & Co.

Chartered Accountants

Firm's Registration No.: 103883W

CA ARUN KUMAR JAIN

Partner

Membership No. 038983

Place : Mumbai

Date : 28th May, 2014

For and on behalf of the Board of Directors

Sd/-

(Sunil Kumar)

Chairman & Director

Sd/-

(Gunjan Sinha)

Chief Operating Officer

Place : New Delhi

Date : 28th May, 2014

Sd/-

(Pankaj Yadav)

Director

Sd/-

(Lavan Thangaraj)

IFA



MILLENNIUM TELECOM LIMITED

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2014

PARTICULARS	NOTE NO.	FOR THE YEAR ENDED 31.03.2014 (₹)	FOR THE YEAR ENDED 31.03.2013 (₹)
1 Other income	15	1,839,036	2,011,398
2 Total revenue (1+2)		1,839,036	2,011,398
3 Expenses			
(a) Finance costs	16	281	-
(b) Depreciation and amortisation expense	8	51,641	147,482
(c) Other expenses	17	1,202,818	1,647,624
Total expenses		1,254,740	1,795,106
4 Profit / (Loss) before exceptional items and tax (2 - 3)		584,296	216,292
5 Exceptional items	18	2,264,200	2,264,200
6 Profit / (Loss) before tax (7 + 8)		-1,679,904	-2,047,908
7 Tax expense:			
(a) Current tax expense for current year		19,250	-
(b) Current tax expense relating to prior years		-	-
(c) Net current tax expense		19,250	-
(d) Deferred tax		-1,896	-28,530
		17,354	-28,530
11 Profit / (Loss) from continuing operations (9 + 10)		-1,697,258	-2,019,378
B DISCONTINUING OPERATIONS			
12. i) Profit / (Loss) from discontinuing operations (before tax)		-	-
12. ii) Gain / (Loss) on disposal of assets / settlement of liabilities attributable to the discontinuing operations		-	-
12. iii) Add / (Less): Tax expense of discontinuing operations		-	-
13 Profit / (Loss) from discontinuing operations (12.i+12.ii+12.iii)		-	-
C TOTAL OPERATIONS			
8 Profit / (Loss) for the year (11 + 13)		-1,697,258	-2,019,378
9.i Earnings per share (Before Exceptional item) (of ₹10/- each) :			
(a) Basic		0.20	0.09
(b) Diluted		0.20	0.09
9.ii Earnings per share (After Exceptional item) (of ₹10/- each):			
(a) Basic		(0.59)	(0.70)
(b) Diluted		(0.59)	(0.70)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	1, 2, 20 to 21		

As per our report attached

For M/s A.M. Jain & Co.

Chartered Accountants

Firm's Registration No.: 103883W

CA ARUN KUMAR JAIN

Partner

Membership No. 038983

Place : Mumbai

Date : 28th May, 2014

For and on behalf of the Board of Directors

Sd/-

(Sunil Kumar)

Chairman & Director

Sd/-

(Gunjan Sinha)

Chief Operating Officer

Sd/-

(Pankaj Yadav)

Director

Sd/-

(Lavan Thangaraj)

IFA

Place : New Delhi

Date : 28th May, 2014



MILLENNIUM TELECOM LIMITED

Notes forming part of the financial statements

Note	Particulars
1	Corporate information
	<p>"MILLENNIUMTELECOM LIMITED (MTL), a wholly owned subsidiary of MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL), is set up to set up submarine cable project & to provide IT solutions. Following are the list of services which are intended to be provided by MTL in INDIA. "E-Tendering services (Online Tendering Services), Sale of ISP packs and collection from Cyber café services, Dial up services, ISDN Dial Up services, Lease Line service, Web page hosting service, Web server hosting service, Internet kiosks, On-line registration of new telephone connection, presentation and bill payment services, Internet Access on Broadband, Portal Services, Virtual Private Network (VPN) services, Certification Gateway for digital signatures to enable E-commerce transactions, High speed ATM services for LAN interconnection, Video on demand, Video Conferencing, Telemedicine, Distance Education and Bandwidth on demand, Data Centre / Call Center."</p>
2.	Significant accounting policies
2.1	Basis of accounting and preparation of financial statements
	<p>The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.</p>
2.2	Use of estimates
	<p>The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.</p>

2.3 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Depreciation and amortisation

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

Assets costing less than ₹5,000 each are fully depreciated in the year of capitalisation.

2.6 Other income

Interest income is accounted on accrual basis.

2.7 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes incidental expenses incurred up to the date the asset is ready for its intended use. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

2.8 Employee benefits

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

2.9 Segment reporting

As the company is not carrying on any business for last 5 years, segment reporting is not applicable to the Company.

2.10 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.11 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.12 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.13 Taxes on income

"Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961." "Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company." "Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. "

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.



MILLENNIUM TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE ' 3 '
SHARE CAPITAL

Particulars	As at 31 March, 2014		At at 31 March, 2013	
	Number of Share	(₹)	Number of Shares	(₹)
(a) Authorised				
Equity shares of ₹10 each with voting rights	100,000,000	1,000,000,000	100,000,000	1,000,000,000
(b) Issued				
Equity shares of ₹10 each with voting rights	2,875,880	28,758,800	2,875,880	28,758,800
(c) Subscribed and fully paid up				
Equity shares of ₹10 each with voting rights	2,875,880	28,758,800	2,875,880	28,758,800
Total	2,875,880.00	28,758,800.00	2,875,880.00	28,758,800.00

Particulars

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

Particulars	Opening Balance	Fresh Issue/ Bonus /ESOP	Conversion/ Buy Back	Closing Balance
Equity shares with voting rights Issued, Subscribed and fully paid up Year ended 31 March, 2014				
- Number of shares	2,875,880	-	-	2,875,880
- Amount (₹)	28,758,800	-	-	28,758,800
Year ended 31 March, 2012				
- Number of shares	2,875,880	-	-	2,875,880
- Amount (₹)	28,758,800	-	-	28,758,800

Notes:

(ii) Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:

Particulars	Equity shares with voting rights Number of shares
As at 31 March, 2014	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880
As at 31 March, 2013	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares/Name of shareholder	At at 31 March, 2014		At as 31 March, 2013	
	Numbers of shares held	% holding in that class of shares	Numbers of shares held	% holding in that class of shares
Equity shares with voting rights				
Mahanagar Telephone Nigam Limited	2,875,880	100	2,875,880	100



NOTE' 4 '
Reserves and Surplus

Particulars	AS AT 31.03.2014 (₹)	AS AT 31.03.2013 (₹)
(i) Revenue Reserve		
Opening Balance	995,181	995,181
Add: Additions / transfers during the year	-	-
Less: Utilisations / transfers during the year	-	-
Closing balance	995,181	995,181
(ii) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	18,278,410	20,297,788
Add: Profit / (Loss) for the year	-1,697,258	-2,019,378
Less Income tax earlier year	206,890	-
Closing balance	16,374,262	18,278,410
Total	17,369,443	19,273,591

Note 5

Short-term borrowings

(a) Loans and advances from related parties	2,447,473	5,683,927
Unsecured		
Total	2,447,473	5,683,927

Notes:

(i) Details of Unsecured Loans and advances from related parties:

Loans and advances from related parties:

MAHANAGAR TELEPHONE NIGAM LIMITED, holding company

MTNL Delhi 2,446,973 1,797,686

MTNL Mumbai 500 3,886,241

(Net Loan accepted during the year Nil - P.Y.₹3433464/-)

Total - Loans and advances from related parties **2,447,473** **5,683,927**

(ii): There is no default in repayment of loans and interest.

Note 6

Trade payables

Trade payables:		
(a) Other than Acceptances	3,007,380	3,046,349
Total	3,007,380	3,046,349

Note: Trade payables include due to Mahanagar Telephone Nigam Ltd, holding Company ₹1663945/- (P.Y.₹1663945)

Note 7

Other current liabilities

(a) Other payables		
(i) Statutory remittances (Professional Tax, Service Tax, TDS payable etc.)	794,851	815,211
(ii) Trade / security deposits received (Axiom France)	5,394,384	4,887,369
Total	6,189,235	5,702,580



NOTE' 8 '

Fixed assets

A. Tangible assets	Gross block				
	Balance as at 1st April, 2013	Additions	Disposals	other adjusments	Balance as at 31 March 2014
	(₹)	(₹)	(₹)	(₹)	(₹)
<u>Owned Assets</u>					
(a) Plant and Equipment	82,639	-	-	-	82,639
(b) Furniture and Fixtures	474,252	-	-	-	474,252
(c) Vehicles	636,216	-	-	-	636,216
(d) Office equipment	340,610	-	-	-	340,610
(e) Electrical Fittings	62,215	-	-	-	62,215
(f) Others (Computers)	2,158,850	-	-	-	2,158,850
Total	3,754,782	-	-	-	3,754,782
Previous year	3,754,782	-	-	-	3,754,782

A. Tangible assets	Accumulated Depreciation and impairment			Net Block	
	Balance as at 1st April, 2013	Depreciation/ amortisation expense for the year	Balance as at 31 March 2014	Balance as at 31 March, 2014	Balance as at 31 March 2013
	(₹)	(₹)	(₹)	(₹)	(₹)
<u>Owned Assets</u>					
(a) Plant and Equipment	82,639	-	82,639	-	-
(b) Furniture and Fixtures	312,613	30,020	342,633	131,619	161,639
(c) Vehicles	634,712	1,503	636,215	1	1,504
(d) Office equipment	160,597	16,180	176,777	163,833	180,013
(e) Electrical Fittings	38,814	3,938	42,752	19,463	23,401
(f) Others (Computers)	2,158,849	-	2,158,849	1	1
Total	3,388,224	51,641	3,439,865	314,917	366,558
Previous year	3,240,742	147,482	3,388,224	336,558	514,040

Particulars

B. Depreciation and amortisation relating to continuing operations:

Particulars	For the year ended 31 March, 2014	For the year ended 31 March, 2013
	₹	₹
Depreciation and amortisation for the year on tangible assets	51,641	147,482
Depreciation and amortisation for the year on intangible assets	-	-
Less: Utilised from revaluation reserve	-	-
Depreciation and amortisation relating to discontinuing operations	-	-
Depreciation and amortisation relating to continuing operations	51,641	147,482

Notes:

- There are no amounts written off on reduction of capital or revaluation of assets or sums added to assets on revaluation during the preceding 5 years:
- There are no assets acquired under hire purchase agreements:
- There are no assets jointly owned by the Company:



NOTE' 9 '

Long-term loans and advances

Particulars	As at 31 March, 2014	As at 31 March, 2013
	(₹)	(₹)
a) Advance income tax # (net of provisions of ₹ 9133665 (As at 31 March, 2013 of ₹ 8907525) - Unsecured, considered good	16,799,596	17,025,736
Total	16,799,596	17,025,736

NOTE' 10 '

Other non-current assets

Particulars	As at 31 March, 2014	As at 31 March, 2013
	(₹)	(₹)
(a) Others		
(i) Others: Sub Marine Cable Project Initial Expenses	4,528,400	6,792,600
Total	4,528,400	6,792,600

NOTE' 11'

Trade receivables

Particulars	As at 31 March, 2014	As at 31 March, 2013
	(₹)	(₹)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good due from MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	13,637,395	13,637,395
Unsecured, considered good due from others	-	-
Doubtful	273,971	273,971
	13,911,366	13,911,366
Less: Provision for doubtful trade receivables	273,971	273,971
Total	13,637,395	13,637,395

NOTE' 12'

Cash and Cash equivalents

Particulars	As at 31 March, 2014	As at 31 March, 2013
	(₹)	(₹)
Balances with banks		
(i) In current accounts	173,677	1,997,213
(ii) In deposit accounts (Refer Note (i) below)	21,745,475	22,261,850
Total	21,919,152	24,259,063
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is	21,919,152	24,259,063



NOTE' 13 '

Short-term loans and advances

Particulars	As at 31 March, 2014 (₹)	As at 31 March, 2013 (₹)
(a) Loans and advances to related parties		
Unsecured, considered good from		
MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	174,213	174,213
Less: Provision for doubtful loans and advances	-	-
	174,213	174,213
(b) Prepaid expenses - Unsecured, considered good (Insurance premium)	-	-
Total	174,213	174,213

NOTE' 14 '

Other current assets

Particulars	As at 31 March, 2014 (₹)	As at 31 March, 2013 (₹)
a) Accruals		
(i) Interest accrued on deposits	-	-
b) Service Tax Credit Receivable	17,304.00	14,729.00
c) TDS Assests F.Y 2012-13	201,388.00	201,388.00
f) TDS Assests F.Y 2013-14	184,505.00	-
Total	403,197.00	216,117.00

NOTE' 15 '

Other Income

Particulars	As at 31 March, 2014 (₹)	As at 31 March, 2013 (₹)
(a) Interest income	1,839,036	2,011,398
Total	1,839,036	2,011,398

Notes:

- (i) Interest income comprises:
Interest from banks on:

deposits	1,839,036	2,011,398
Total - Interest income	1,839,036	2,011,398

- (ii) Details of Prior period items (net)
Prior period income (give details)
Prior period expenses (give details)

	-	-
Total	-	-

NOTE' 16 '

Finance costs

Particulars	As at 31 March, 2014 (₹)	As at 31 March, 2013 (₹)
(a) Interest expense on others		
- Interest on delayed payment of Profession tax	281	-
Total	281	-



NOTE' 17 '
Other expenses

Particulars	As at	As at
	31 March, 2014	31 March, 2013
	(₹)	(₹)
Repairs and maintenance - Machinery	-	-
Insurance	-	3,000
Rates and taxes	3,500	3,500
Travelling and conveyance	51,583	-
Printing and stationery	-	2,861
Licence Fees	147,123	202,294
Legal and professional	412,729	429,431
RoC Filing Fees	5,500	-
Payments to auditors (Refer Note (i) below)	65,000	65,000
Provision for doubtful trade and other receivables, loans	-	-
Exchange Fluctuation Loss	507,015	756,086
Prior period items	6,962	179,234
Miscellaneous expenses	3,406	6,218
Total	1,202,818	1,647,624

Notes:

(i) Payments to the auditors comprises (net of service tax input credit, where applicable):

As auditors - statutory audit	30,000	40,000
For other services Certification Fees	35,000	25,000
Total	65,000	65,000

NOTE' 18 '
Exceptional Items

Particulars	As at	As at
	31 March, 2014	31 March, 2013
	(₹)	(₹)
20% of of initial expenses of submarine cable project written off #	2,264,200	2,264,200
Total	2,264,200	2,264,200

Note: 1/5th of submarine cable project initial expenses incurred 5 years ago written off prudentially. The project is not abandoned by the company officially. However due to delay in implementation of project, the company has decided that it is prudentially wise to write off the expenses in five years.



MILLENNIUM TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 19 '

Additional information to the financial statements

Note: Particulars	As at	As at
	31 March, 2014	31 March, 2013
	(₹)	(₹)
19.1 Contingent liabilities and commitments (to the extent not provided for)		
(i) Contingent liabilities		
(a) Claims against the Company not acknowledged as debt (give details)	14,463,397	23,481,629
<p>"As Regards Income Tax of ₹5983525/- pertaining to Assessment year 2003-2004, Rs ₹34,96,764/- pertaining to Assessment Year 2004-2005, ₹43,49,058 pending with CIT (appeal) pertaining to Assessment Year 2005-2006 and ₹6,34,050/- pertaining to Assessment Year 2007-2008 as per the demand notice received from Income Tax Department. The company has filed appeals against the Assessment & penalty Orders and the appeals are pending against Commissioner of Income Tax & ITAT. The company has paid the above income tax under protest.""</p>		
(b) Guarantees: Guarantee given by Banks		
Indian Overseas Bank (PBG) for ISP License valid upto 23.4.15	20,000,000	20,000,000
Indian Overseas Bank (FBG) for ISP License valid upto 22.8.14	1,000,000	1,000,000
(ii) Commitments		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for Intangible assets	4,39,00,000	4,39,00,000
<p>As Regards of Sub Marine Cable Project, Payment to Consulting Firm M/s Axiom is pending up to ₹4,39,00,000/- out of total contract price ₹5,20,00,000/-.</p>		
19.2 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:		
<p>The company has no dues to micro and small enterprises during the year ended March 31, 2014 and March 31, 2013.</p>		
<p>Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.</p>		
19.3	<p>The information relating to Value of imports calculated on CIF basis, Expenditure in foreign currency, Earnings in foreign exchange & Amounts remitted in foreign currency during the year on account of dividend; is Nil for the company as the company has not done any foreign currency transactions during last 3 years.</p>	
19.4	<p>Details of consumption of imported and indigenous items are Nil for the company as the company has not done any purchase & sale of goods during last 3 years.</p>	
19.5	<p>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.</p>	



-
- 19.6 The payments of ₹1,13,21,000/- made for the purpose of submarine cable project is shown as deferred revenue expenses under other non-current assets since the project is in progress. 1/5th of this expenses incurred 5 years ago written off prudentially. The project is not abandoned by the company officially. However due to delay in implementation of project, the company has decided that it is prudentially wise to write off the expenses in five years.
-
- 19.7 The MTNL & BSNL have entered into Joint venture project through the Company for the purpose of submarine cable project vide shareholder agreement dated 16.12.2009. As per para 4.1.1 BSNL and affiliates shall subscribed upto to 50% of equity shares capital (i.e. 1 crore equity shares of ₹10/- each) but B.S.N.L has not contributed for said share. As per para 4.1.2 of the agreement BSNL has agreed to contribute the 50% of the sum of preoperative and preliminary expenses incurred by MTNL in respect of formation of MTL subject to ceiling of ₹ 34,80,405. The Company has not collected the preliminary and preoperative expenses as per the terms of Joint venture agreement.
-
- 19.8 As per 59th Board meeting dated 19.6.2013 DOT has directed to keep BSNL as a partner upto 50%. But BSNL withdrawn from the Joint Venture and after the dismantling of the submarine cable project Board desired that this fact be brought to the notice of DOT. But BSNL letter dated 29.02.2013 intimating their withdrawal from joint venture and letter of MTL intimating the fact of withdrawal of Joint venture to DOT are not available on record for verification.
-
- 19.9 Account balance confirmation and reconciliation not available for transactions and balances with Holding Company MTNL.
-
- 19.10' Company has awarded the consultancy contract of ₹5.20 crores to Axiom France Ltd for Submarine Cable Project. Company has paid ₹0.81 crores against this contract and balance amount shown as contingent liability in note no.19.1. But no invoices, bills or other documents available in respect of actual bills raised by Axiom France towards execution of part contract to ascertain the actual liability of the Company and balance amount of ₹4.39 crores were fully shown as contingent liability. No balance confirmations available from Axiom France in respect of amount due from MTL towards contract charges appearing in the books.
-
- 19.11 No details available for trade payable appearing in Note No.6 towards Outstanding expenses, Sundry Creditors and provision for direct expenses to the tune of ₹ 26,39,861. Further no details available regarding status of Statutory remittances pending as per Note No.7 towards service tax liability of ₹77,91,19 and TDS ₹15,732.
-
- 19.12 Detailed break-up not available for provision for income tax ₹91,14,415 reduced from loans and advances shown in note No.9.
-
- 19.13 No confirmation has been received from Sundry Debtors/sundry creditors outstanding.
-



MILLENNIUM TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 20 '

Disclosures under Accounting Standards

Note:	Particulars
20.1 Related party transactions	
20.1.a Details of related parties:	
Description of relationship	Names of related parties
Ultimate Holding Company	None
Holding Company	Mahanagar Telephone Nigam Ltd.
Ultimate Holding Company	None
Subsidiaries	None
Fellow Subsidiaries	Mahanagar Telephone Nigam (Mauritius) Ltd
Associates	1. Bharat Sanchar Nigam Ltd. 2. United Telecom Ltd is a joint venture of MTNL, TCIL, TCL and NVPL. MTNL hold 26.68% of shares in UTL. 3. MTNL STPI IT SERVICES LTD (MSITS)
Key Management Personnel (KMP)	Shri Sunil Kumar, Chairman & Director, Shri. Piyush Agrawal, Director, Shri Pankaj Yadav, Director and Shri Gunjan Sinha, COO.
Relatives of KMP	No transaction with any of them
Company in which KMP / Relatives of KMP can exercise significant influence	No transaction
	No Transactions

Note: Related parties have been identified by the Management.

Details of related party transactions during the year ended 31 March, 2014 and balances outstanding as at 31 March, 2014:

20.1b	Associates Bharat Sanchar Nigam Ltd./ United Telecom Ltd.	Ultimate Holding Co. Mahanagar Telephone Nigam Ltd.	Fellow Subsidiaries Mahanagar Telephone Nigam (Mauritius) Ltd.	Total
Finance (including loans and equity contributions in cash or in kind)	-	-	-	-
Guarantees and collaterals	-	-3,433,464	-	-3,433,464
Management contracts including for deputation of employees	-	-	-	-
Balances outstanding at the end of the year				
Trade receivables	-	13,637,395	-	13,637,395
	-	-13,637,395	-	-13,637,395
Loans and advances	-	174,213	-	174,213
	-	-174,213	-	-174,213
Trade payables	-	3,007,380	-	3,007,380
	-	-3,046,349	-	-3,046,349
Borrowings	-	-	-	-
Provision for doubtful receivables, loans and advances	-	-	-	-

Note: Figures in bracket relates to the previous year



MILLENNIUM TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 20 '

Disclosures under Accounting Standards (Contd...)

Note: Particulars	As at 31 March, 2014 (RUPEES)	As at 31 March, 2013 (RUPEES)
20.2 Deferred tax (liability) / asset		
<i>Tax effect of items constituting deferred tax liability</i>		
On difference between book balance and tax balance of fixed assets	4,539	6,435
<i>Tax effect of items constituting deferred tax liability</i>	4,539	6,435
Tax effect of items constituting deferred tax assets		
Others	-	-
Tax effect of items constituting deferred tax assets	-	-
Net deferred tax (liability) / asset	(4,539)	(6,435)

NOTE' 21 '

Previous year's figures

21	The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.
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As per our report attached

for and on behalf of the Board of Directors

For M/s A.M. Jain & Co.
Chartered Accountants
 Firm's Registration No.: 103883W

Sd/-
 (Sunil Kumar)
 Chairman & Director

Sd/-
 (Pankaj Yadav)
 Director

CA ARUN KUMAR JAIN
Partner
 Membership No. 038983

Sd/-
 (Gunjan Sinha)
 Chief Operating Officer

Sd/-
 (Lavan Thangaraj)
 IFA

Place : Mumbai
 Date : 28th May, 2014

Place : New Delhi
 Date : 28th May, 2014



MILLENNIUM TELECOM LIMITED
CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2014

Particulars	For the year ended 31 March, 2014		For the year ended 31 March, 2013	
	(₹)	(₹)	(₹)	(₹)
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax	-1,679,904		-2,047,908	
<u>Adjustments for:</u>				
Depreciation and amortisation	51,641		147,482	
Finance costs	281		-	
Interest income	-1,839,036		-2,011,398	
Income Tax earlier year	-206,890			
Provision for doubtful trade/and other receivables, loans and advances	-		-	
Other non-cash charges (Ammortisation of submarine Cable project expenses)	2,264,200		2,264,200	
		<u>270,196</u>		<u>400,284</u>
Operating profit / (loss) before working capital changes	-1,409,708		-1,647,624	
<u>Changes in working capital:</u>				
Adjustments for (increase) / decrease in operating assets:				
Trade receivables		-		
Short-term loans and advances	-		-	
Long-term loans and advances	226,140		-2,815,062	
Other current assets	-187,080		-209,422	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	-38,969		341,488	
Other current liabilities	486,655	<u>486,746</u>	765,890	<u>-1,917,106</u>
Other long-term liabilities				
Short-term provisions				
Long-term provisions				
Cash generated from operations	-922,962		-3,564,730	
Net income tax (paid) / refunds	-19,250		-	
Net cash flow from / (used in) operating activities (A)	<u>-942,212</u>		<u>-3,564,730</u>	
B. Cash flow from investing activities				
Interest received				
- Others Bank FD	1,839,036	<u>1,839,036</u>	2,011,398	<u>2,011,398</u>
Net cash flow from / (used in) investing activities (B)		<u>1,839,036</u>		<u>2,011,398</u>
C. Cash flow from financing activities				
Proceeds from other short-term borrowings	-3,236,454		424,522	
Finance cost	-281	<u>-3,236,735</u>	-	<u>424,522</u>
Net cash flow from / (used in) financing activities (C)		<u>-3,236,735</u>		<u>424,522</u>



Particulars	For the year ended 31 March, 2014		For the year ended 31 March, 2013	
	(₹)	(₹)	(₹)	(₹)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		-2,339,911		-1,128,810
Cash and cash equivalents at the beginning of the year		<u>1,997,213</u>		<u>936,033</u>
Cash and cash equivalents at the end of the year		<u>21,919,152</u>		<u>24,259,063</u>
Reconciliation of Cash and cash equivalents with the Balance				
Cash and cash equivalents as per Balance Sheet (Refer Note 19)		<u>21,919,152</u>		<u>24,259,063</u>
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 19		<u>21,919,152</u>		<u>24,259,063</u>
Cash and cash equivalents at the end of the year *				
* Comprises:				
(c) Balances with banks				
(i) In current accounts		173,677		1,997,213
(ii) In deposit accounts with original maturity of less than 3 months		<u>21,745,475</u>		<u>22,261,850</u>
		<u>21,919,152</u>		<u>24,259,063</u>

As per our report attached

for and on behalf of the Board of Directors

For M/s A.M. Jain & Co.
Chartered Accountants
Firm's Registration No.: 103883W

Sd/-
(Sunil Kumar)
Chairman & Director

Sd/-
(Pankaj Yadav)
Director

CA ARUN KUMAR JAIN
Partner
Membership No. 038983

Sd/-
(Gunjan Sinha)
Chief Operating Officer

Sd/-
(Lavan Thangaraj)
IFA

Place : Mumbai
Date : 28th May, 2014

Place : New Delhi
Date : 28th May, 2014

**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 is made solely to the members of **MAHANAGAR TELEPHONE (MAURITIUS) LTD** (the "Company"), as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the financial statements

We have audited the financial statements of **MAHANAGAR TELEPHONE (MAURITIUS) LTD**, set out on pages 4 to 20, which comprise the statement of financial position at 31 March 2014 and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 Mauritius 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' judgments, 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.

Report on the financial statements

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 4 to 20 give a true and fair view of the financial position of the company at 31 March 2014 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 and Financial Reporting Act 2004.

Report on other legal and regulatory requirements

We have no relationship with or interests in the company other than in our capacity 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
Chartered Accountants

Ashvin Mawven, FCCA
Signing Partner
Licensed by FRC

PORT LOUIS
MAURITIUS

Date : 22.04.2014



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2014

	Notes	2014 Rs.	2013 Rs.
<u>ASSETS</u>			
Non-current assets			
Property, plant and equipment	5	708,597,193	574,370,493
Equipment under construction	6	129,220,768	97,282,128
		837,817,961	671,652,621
Current assets			
Trade and other receivables	7	86,237,438	182,753,970
Cash and cash equivalents	8	64,524,551	41,766,352
		150,761,989	224,520,322
TOTAL ASSETS		988,579,950	896,172,943
<u>EQUITY AND LIABILITIES</u>			
Equity			
Stated capital	9	673,717,949	673,717,949
Accumulated losses	10	(35,161,078)	(35,737,043)
TOTAL EQUITY		638,556,871	637,980,906
Non-Current liabilities			
Deferred taxation	6	9,403,346	3,743,376
Current liabilities			
Trade and other payables	11	340,619,733	254,448,661
TOTAL EQUITY AND LIABILITIES		988,579,950	896,172,943

Approved by the Board of Directors on 22/04/2014

sd/-
DIRECTOR

sd/-
DIRECTOR



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 Rs.	2013 Rs.
Turnover		392,720,709	298,179,104
Cost of sales		<u>(97,673,811)</u>	<u>(69,292,163)</u>
Gross profit		295,046,898	228,886,941
Personnel expenses		(12,870,348)	(12,237,518)
Licence fees		(17,847,000)	(15,449,872)
Administrative expenses		(120,706,761)	(97,944,994)
Marketing expenses		(22,440,886)	(19,777,805)
Depreciation		<u>(104,717,819)</u>	<u>(77,131,935)</u>
Profit from operations	12	16,464,084	6,344,818
Other income	13	100,797	2,000
Net finance income	14	<u>2,896,061</u>	<u>4,784,291</u>
Total comprehensive income before taxation		19,460,942	11,131,109
Taxation	6	<u>(5,659,970)</u>	<u>(4,426,447)</u>
Total comprehensive income for the year		<u><u>13,800,972</u></u>	<u><u>6,704,662</u></u>
 Earnings per share	 15	 0.02	 0.01



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2014

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
Balance at 01 April, 2012	673,717,949	(42,441,705)	631,276,244
Total comprehensive loss for the year	-	6,704,662	6,704,662
Balance at 31 March 2013	673,717,949	(35,737,043)	637,980,906
Balance at 01 April 2013	673,717,949	(35,737,043)	637,980,906
Solidarity levy paid for prior period	-	(13,225,007)	(13,225,007)
Total comprehensive income for the year	-	13,800,972	13,800,972
Balance at 31 March 2014	673,717,949	(35,161,078)	638,556,871



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2014

	Note	2014 Rs.	2013 Rs.
Cash flow from operating activities			
Total comprehensive income before taxation		19,460,942	11,131,109
Adjustments for:-			
Depreciation		104,717,819	77,131,935
Interest received		(2,143,695)	(4,560,032)
Loss on sale of subscribers acquisition (obsolete stock)		15,652,621	-
Profit on disposal of motor vehicle		(83,647)	-
Operating profit before working capital changes		137,604,040	83,703,012
Decrease in trade and other receivables		96,516,525	154,415,962
Increase in trade and other payables		86,171,073	135,992,407
Cash generated from operations		320,291,638	374,111,381
Solidarity levey paid for prior year		(13,225,007)	-
Interest received		2,143,695	4,560,032
Net cash generated from operating activities		309,210,326	378,671,413
Cash flows from investing activities			
Proceeds from disposal of motor vehicle		500,000	-
Equipment under construction		(31,938,640)	(7,387,162)
Purchase of property, plant and equipment		(255,013,487)	(349,487,196)
Net increase in cash and cash equivalents		22,758,199	21,797,055
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		41,766,352	19,969,297
Cash and cash equivalents at the end of the year	8	64,524,551	41,766,352
Net increase in cash and cash equivalents		22,758,199	21,797,055



MAHANAGAR TELEPHONE (MAURITIUS) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

1. CORPORATE INFORMATION

Mahanagar Telephone (Mauritius) Ltd is a private limited Company incorporated in Mauritius on 14 November 2003. The address of the registered office is MTML Square, 63 Cyber City, Ebene, Mauritius. The principal activity of the Company is to provide telecommunication services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs affecting amounts reported and/or disclosures in the financial statements

In the current year, the company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

2.1.1 Amendments to IFRSs affecting presentation and disclosure only

- *Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities*
- IFRS 13 Fair Value Measurement
- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*
- "Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 – 2011 Cycle issued in May 2012)
- IAS 19 Employee Benefits (as revised in 2011)

2.2 New and revised IFRSs in issue but not yet effective

Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment Entities
- Amendments to IAS 32 - Offsetting Financial Assets and Financial Liabilities

Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

- IFRS 9 - Financial Instruments
- Amendments to IFRS 9 and IFRS 7 - Mandatory Effective Date of IFRS 9 and Transition Disclosures

3. SIGNIFICANT ACCOUNTING POLICIES

(a) **Statement of compliance**

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

(b) **Basis of preparation**

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) **Operating lease**

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

(d) **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 statement of financial position where a right of set off exists.

(e) Functional and presentation currency

(i) Reporting currency

The financial statements are presented in Mauritian Rupees (Rs), which is the Company's functional and presentation currency. This represents the currency of the primary economic environment in which the entity operates.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies at year end exchange rates are recognised in the statement of comprehensive income.

(f) 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 end of the reporting date.

Deferred tax is provided using the 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 reporting 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.

(g) 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.

(h) 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 statement of comprehensive income as it accrues using the effective interest method.

(i) Deferred tax

Deferred taxation is provided using the liability method on all temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses carried forward and on retirement benefit obligations.

(j) Stated capital

Ordinary shares are classified as equity.

(k) Financial liabilities

Financial liabilities, including loans from related parties, are stated at fair value, which is normally the face value of the loans.

(l) 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.

(m) Financial Instruments

Financial instruments carried on the statement of financial position include trade and other receivables, cash and cash equivalents and trade and other payables. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

(n) 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 the statement of comprehensive income, 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 statement of cash flows.

Other non derivative financial instruments

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

(o) Trade and other receivables

Trade and other receivables are stated at its nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(p) Trade and other payables

Trade and other payables are stated at its nominal value.

(q) Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(r) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangibles assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

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

Recognition and measurement

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

Cost includes expenditure that is 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, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the period of the revision and future periods if the revision affects both current and future periods.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Key sources of estimation uncertainty

With regards to the nature of the Company's business there were no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Property, plant and equipment

	Computer equipment Rs.	Furniture fixtures and fittings Rs.	Office equipment Rs.	Motor vehicles Rs.	Plant and equipment Rs.	Total Rs.
COST						
At 01 April 2013	952,102	5,271,598	910,803	2,285,816	885,345,971	894,766,290
Additions		4,603,742	251,298	2,195,000	247,963,447	255,013,487
Disposal	-	-	-	(1,717,505)	(26,650,400)	(28,367,905)
At 31 March 2014	952,102	9,875,340	1,162,101	2,763,311	1,106,659,018	1,121,411,872
DEPRECIATION						
At 01 April 2013	658,868	946,414	238,505	1,630,914	316,921,090	320,395,791
Charge for the year	52,508	499,001	43,638	300,791	103,821,881	104,717,819
Disposal adjustment	-	-	-	(1,301,152)	(10,997,779)	(12,298,931)
At 31 March 2014	711,376	1,445,415	282,143	630,553	409,745,192	412,814,679
NET BOOK VALUE						
At 31 March 2014	240,726	8,429,925	879,958	2,132,758	696,913,826	708,597,193
At 31 March 2013	293,234	4,325,184	672,298	654,902	568,424,881	574,370,493

6. Taxation

The Company is liable to income tax at the rate of 15 % (2013: 15%) on its profit as adjusted for tax purposes.

	2014 Rs.	2013 Rs.
Current tax charge	-	-
Corporate social responsibility liability	-	-
Deferred tax charge	5,659,970	4,426,447
Total tax expense in the statement of comprehensive income	<u>5,659,970</u>	<u>4,426,447</u>

Reconciliation of effective taxation

Total comprehensive income before taxation	<u>19,460,942</u>	<u>11,131,109</u>
Income tax at 15%	2,919,141	1,669,666
Non-allowable expenses	40,829	56,781
Tax rate differential	2,700,000	2,700,000
	<u>5,659,970</u>	<u>4,426,447</u>

Deferred tax assets

At 01 April 2013	(3,743,376)	683,071
Movement during the year	(5,659,970)	(4,426,447)
At 31 March 2014	<u>(9,403,346)</u>	<u>(3,743,376)</u>

Deferred tax assets are analysed as follows:

Accelerated capital allowances	(53,122,340)	(42,911,588)
Tax losses	41,018,994	36,468,212
Provision for bad debts	2,700,000	2,700,000
	<u>(9,403,346)</u>	<u>(3,743,376)</u>

7. Trade and other receivables

	<u>2014</u> Rs.	<u>2013</u> Rs.
Trade receivables	57,943,033	109,271,375
Other receivables and prepayments	28,294,405	73,482,595
	<u>86,237,438</u>	<u>182,753,970</u>

8. Cash and cash equivalents

Cash in hand and at bank	64,524,551	41,766,352
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9. Stated capital

Ordinary shares of no par value	<u>673,717,949</u>	<u>673,717,949</u>
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10. Accumulated losses

At 01 April 2013	(35,737,043)	(42,441,705)
Solidarity levy paid for prior period	(13,225,007)	-
Total comprehensive income for the year	13,800,972	6,704,662
At 31 March 2014	<u>(35,161,078)</u>	<u>(35,737,043)</u>

11. Trade and other payables

Trade payables	99,961,015	182,515,617
Other payables	240,658,718	71,933,044
	<u>340,619,733</u>	<u>254,448,661</u>

12. Profit from operations

Profit from operations is arrived at after charging the following items:-

Staff costs	12,870,348	12,110,472
Depreciation on property, plant and equipment	104,717,819	47,071,723
Auditors' remuneration	90,000	90,000
Number of employees at end of the year	<u>12</u>	<u>14</u>



	<u>2014</u> Rs.	<u>2013</u> Rs.
13. Other income		
Other income	100,797	2,000
14. Net finance expense		
Interest income	2,143,695	4,560,032
Foreign exchange gain	752,366	224,259
Finance income	<u>2,896,061</u>	<u>4,784,291</u>

15. Earnings per share

The calculation of earnings per share is based on total comprehensive income for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 March 2014.

16. Related party transactions

	<u>2014</u> Rs.	<u>2013</u> Rs.
The Company had the following transactions with related parties.		
Remuneration and other short term benefits to key management personnel	<u>3,654,697</u>	<u>3,369,444</u>

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

17. Holding company

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

18. Commitments

(a) Operations leases

Leases as lessee

The future aggregate minimum lease payments for operating leases cancellable with six months notice area as follows



	BTS sites Rs.	Buildings Rs.	Total Rs.
Within one year	-	-	-
Between one year and five years	9,559,617	-	9,559,617
Over five years	-	-	-
	<u>9,559,617</u>	<u>-</u>	<u>9,559,617</u>

(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 10,381,750/-**.

(c) Capital commitments

Capital expenditure contracted and not provided for in the financial statements amount to **NIL**.

19. 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 accumulated losses.

20. 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 MUR 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.



20. Financial instruments (Continued)

(i) Foreign exchange risk

	2014	2013
Categories of financial instruments	Rs.	Rs.
<i>Financial assets</i>		
Trade and other receivables	86,237,438	182,753,970
Cash and cash equivalents	64,524,551	41,766,352
	<u>150,761,989</u>	<u>224,520,322</u>
<i>Financial liabilities</i>		
Trade and other payables	<u>340,619,733</u>	<u>254,448,661</u>

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:

	2014		2013	
	Financial assets Rs.	Financial liabilities Rs.	Financial assets Rs.	Financial liabilities Rs.
Mauritian Rupees (MUR)	150,761,989	340,619,733	224,520,322	254,448,661
	<u>150,761,989</u>	<u>340,619,733</u>	<u>224,520,322</u>	<u>254,448,661</u>

(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.

(a) Market risk

(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.

20. Events after the reporting period

There are no events after the reporting period which may have a material effect on the financial statements at 31 March 2014.

20. Financial summary

	2014	2013	2012	2011
	Rs.	Rs.	Rs.	Rs.
Issued and Fully Paid Up Stated capital	673,717,949	673,717,949	673,717,949	572,264,029
Accumulated losses	(35,161,078)	(35,737,043)	(42,441,705)	(88,971,972)
Total comprehensive income before taxation	19,460,942	11,131,109	6,498,937	6,498,937
Total comprehensive income after taxation	13,800,972	6,704,662	3,520,419	(34,815,362)



APPENDIX – I

**MAHANAGAR TELEPHONE (MAURITIUS) LTD
SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014**

	2014 Rs.	2013 Rs.
I. Cost of sales		
Roaming Charges	3,821,582	4,340,716
ICTA Special account fee / Universal Service Fund Charges	19,609,529	15,196,698
Carrier charges	17,712,917	10,993,121
IPLC charges	9,445,630	8,077,130
Cost of subscribers acquisition (obsolete stock)	15,652,616	1,764,448
IUC charges	31,431,537	28,920,050
	97,673,811 -	69,292,163
II. Personnel expenses		
Salaries and allowances	10,305,419	10,859,393
Other benefits	2,564,929	1,378,125
	12,870,348	12,237,518
III. Licence fees		
PLMN	8,000,004	8,000,004
ILD	1,999,992	1,999,992
Microwave	1,090,008	1,000,008
Spectrum	2,952,000	3,392,872
ISP	50,000	50,000
Dealership	5,000	7,000
GSM Spectrum	999,996	999,996
GSM 3G	2,750,000	-
	17,847,000	15,449,872



MAHANAGAR TELEPHONE (MAURITIUS) LTD
SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2014

APPENDIX II

	2014 Rs.	2013 Rs.
IV. Administrative expenses		
Meeting expenses	262,046	255,847
Fraud tracking charges	13,986,020	15,771,080
Rental for ebene	327,000	315,750
Rental accomodation	1,054,260	1,734,300
Rental BTS sites	14,835,378	11,206,760
Electricity	25,025,154	19,997,083
Water charges	51,675	85,647
Motor vehicle running expenses	911,613	855,940
Vehicle hire charges	-	617,764
Repairs and maintenance - mess	45,720	-
Repairs and maintenance - office	830,386	300,633
Repairs and maintenance - shop	467,898	411,263
Repairs and maintenance of FWPS	7,083,486	5,652,519
Repairs and maintenance	576,599	561,815
Maintenance sites	2,892,224	264,917
Printing	1,006,319.0	1,350,342.5
Stationery	362,230	446,301
Communication expenses	2,185,891	2,487,828
Bank charges	734,487	921,838
Library books	15,485	22,250
Horticulture expenses	30,737	21,600
Computer consumables and repairs	105,146	66,135
Professional charges	421,997	226,812
General expenses	183,624	-
Entertainment	10,149	122,691
Commission and brokerage fees	24,997,298	12,528,005
Office insurance	789,424	969,605
Security charges	579,304	405,500
Rates and taxes	2,563,758	1,861,260
Provision for bad debts	18,000,000	18,000,000
Lease rental	168,000	168,000
Freight charges	-	68,211
Directors Fee	30,000	-
Custom duty and clearance	173,453	247,297
	<u>120,706,761</u>	<u>97,944,994</u>



V. Marketing expenses

	<u>2014</u> <u>Rs.</u>	<u>2013</u> <u>Rs.</u>
Electricity for shops	379,883	413,394
Club membership	28,000	15,200
Rent of shops	3,038,234	3,118,557
Call centre charges	5,719,510	6,000,509
Publicity and advertisement	12,699,309	10,207,645
PM Relief fund	500,000	-
Website development and maintenance	<u>75,950</u>	<u>22,500</u>
	<u>22,440,886</u>	<u>19,777,805</u>



MAHANAGAR TELEPHONE (MAURITIUS) LTD
INCOME TAX COMPUTATION
ASSESSMENT YEAR 2014

	2014 Rs.
PROFIT AS PER ACCOUNTS	19,460,942
ADD BACK : DEPRECIATION	104,717,819
Balancing charge on motor vehicle disposed	500,000
Obsolete equipment scrapped	15,652,617
ENTERTAINMENT	10,149
PROVISION FOR BAD DEBTS	18,000,000
MEETING EXPENSES	262,046
	158,603,573
LESS: Profit on disposal of motor vehicle	(83,647)
LESS: CAPITAL ALLOWANCES:	
Annual allowances :	
Computer equipment	(66,526)
Furniture, fixtures and fittings	(1,437,221)
Office equipment	(109,720)
Motor Vehicle	(602,316)
Plant and equipment	(186,642,689)
	(188,858,471)
Adjusted profit	(30,338,545)
Loss Brought forward	(261,121,412)
Loss carried forward	(291,459,957)
CSR	
Profit before tax - 31 March 2013	-
Less income tax liability - 31 March 2013	-
Book Profit	-
CSR Contribution - 2%	-
Less TDS on rental received	
Net CSR due	-



MAHANAGAR TELEPHONE (MAURITIUS) LTD
CAPITAL ALLOWANCES COMPUTATION
ASSESSMENT YEAR 2014

BASE COST	Computer equipment Rs.	Furniture fixtures and fittings Rs.	Office equipment Rs.	Motor vehicles Rs.	Plant and equipment Rs.	Total Rs.
At 01 April 2013	952,102	5,271,598	910,803	2,285,816	885,345,971	894,766,290
Additions	-	4,603,742	251,298	2,195,000	247,963,447	255,013,487
Disposal	-	-	-	(1,717,505)	(26,650,400)	(28,367,905)
At 31 March 2014	952,102	9,875,340	1,162,101	2,763,311	1,106,659,018	1,121,411,872
WRITTEN DOWN VALUE						
At 01 April 2013	133,051	2,582,364	62,187	214,262	285,301,379	288,293,243
Additions	-	4,603,742	251,298	2,195,000	247,963,447	255,013,487
	133,051	7,186,106	313,485	2,409,262	533,264,826	543,306,730
Annual Allowance	(66,526)	(1,437,221)	(109,720)	(602,316)	(186,642,689)	(188,858,471)
At 31st March 2014	66,526	5,748,885	203,765	1,806,947	346,622,137	354,448,259
Annual Allowance	50%	20%	35%	25%	35%	-
Less than Rs. 30,000	-	-	-	-	-	-
More than Rs. 30,000	-	920,748	87,954	548,750	86,787,206	88,344,659
Other assets	66,526	516,473	21,765	53,566	99,855,483	100,513,812
	66,526	1,437,221	109,720	602,316	186,642,689	188,858,471



MTNL

**MAHANAGAR TELEPHONE (MAURITIUS) LTD
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014**

	2014	2013
	Rs.	Rs.
N.B.V as at 31 March 2014	708,597,193	574,370,493
T.W.D.V as at 31 March 2014	354,448,259	288,293,243
Timing Difference	354,148,934	286,077,250
Deferred Taxation at 15% (accelerated capital allowances)	53,122,340	42,911,588
Balance at Start 01st April 2013	(3,743,376)	683,071
Charge for the year	5,659,970	4,426,447
Balance at end 31st March 2014	(9,403,346)	(3,743,376)
Charge for the year (to the Statement of Comprehensive Income)	5,659,970	4,426,447

MAHANAGAR TELEPHONE NIGAM LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501.

Registered and Corporate Office: Mahanagar Doorsanchar Sadan 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi - 110 003.

Tel: 011-24319020, Fax: 011-24324243, Website: www.mtnl.net.in / www.bol.net.in

PROXY FORM (MGT-11)

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of Companies (Management and Administration) Rules, 2014]

CIN : L32101DL1986GOI023501
Name of the Company : MAHANAGAR TELEPHONE NIGAM LIMITED
Registered Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003
Name of the Member :
Registered Address :
Email ID :
Regd. Folio No./Client ID :
DP ID :

I/We, being a member/members of shares of the above named Company, hereby appoint

1. Name: Address:
Email ID: Signature: Or failing him
2. Name: Address:
Email ID: Signature: Or failing him
3. Name: Address:
Email ID: Signature: Or failing him

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company, to be held on Tuesday 30th September, 2014 at 11.30 A.M. at Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

1. 2. 3.
4. 5.

Signed this.....day of.....2014 Signature of Shareholder:

Signature of Proxy Holder(s):

Notes: This Form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

MAHANAGAR TELEPHONE NIGAM LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501.

Registered and Corporate Office: Mahanagar Doorsanchar Sadan 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi - 110 003.

Tel: 011-24319020, Fax: 011-24324243, Website: www.mtnl.net.in / www.bol.net.in

ATTENDANCE SLIP

Name.....Folio No.....No. of Shares.....

DP ID*.....Client Id*.....

I hereby record my presence at the 28th Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003 on Tuesday 30th September, 2014 At 11.30 A.M.

Signed this.....day of.....2014 Signature of Shareholder:

Signature of Proxy Holder(s):

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.

MAHANAGAR TELEPHONE NIGAM LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE)
CIN L32101DL1986GOI023501.

Registered and Corporate Office: Mahanagar Doorsanchar Sadan 5th Floor, 9 CGO Complex,
Lodhi Road, New Delhi - 110 003. Tel: 011-24319020, Fax: 011-24324243, Website: www.mtnl.net.in
/ www.bol.net.in

NOTICE

Notice is hereby given that the twenty eighth Annual General Meeting of the members of **Mahanagar Telephone Nigam Limited** will be held on Tuesday, 30th September, 2014 at 11.30 A.M. at **Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003** to transact the following business :-

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Financial Statements and the consolidated Financial Statement of the company for the Financial Year ended 31st March 2014, the reports of the Board of Directors and Auditors thereon and the comments of the Comptroller and Auditor General of India (C & AG) thereon.
2. To appoint directors in place of those retiring by rotation:
To appoint a Director in place of Shri. V. Umashankar (DIN 06553185) who retires by rotation and being eligible, offers himself for reappointment.
3. To fix the remuneration of the Statutory Auditors of the Company to be appointed by the Comptroller & Auditor General of India for auditing the accounts of the Company for the Financial Year 2014-15. In this connection to pass with or without modifications the following resolution as an Ordinary Resolution:
“RESOLVED THAT the Board of Directors of the Company be and is hereby authorized to decide and fix the remuneration of the Statutory Auditors of the Company appointed by Comptroller and Auditor General of India for the Financial Year 2014-15, as may be deemed fit”

SPECIAL BUSINESS:

4. **Issue of Non-Convertible Debentures on Private Placement basis:-** In this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a **Special Resolution**:
“RESOLVED THAT pursuant to the provisions of Sections 42 & Section 71 and all other applicable provisions of the Companies Act, 2013 read with the Companies (Prospectus and Allotment of Securities) Rules, 2014 including any statutory modification(s) or re-enactment thereof, for the time being in force and subject to the provisions of the Article of Association of the Company, approval of the members be and is hereby accorded to authorize the Board of Directors of the Company to offer or invite or invite subscription for Guaranteed / Unsecured/ Listed Redeemable non- convertible debentures in the nature of Bonds (NCDs), in one or more series / tranches, aggregating up to ₹ 3,769 crores on private placement basis, on such terms and conditions as the Board of Directors of the Company may, from time to time, determine and consider proper and most beneficial to the Company including the timing/date of issue of debenture, the consideration for the issue, utilization of the issue proceeds and all matters connected with or incidental thereto.”
5. **Approval of Remuneration payable to the Cost Auditor:-** In this connection to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:
“RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013, the Companies (Audit and Auditors) Rules, 2014, including any Statutory modification(s) or re-enactment thereof, for the time being in force, the Cost Auditors appointed by the

Board of Directors of the Company M/s. R.M. Bansal & Co. to conduct the audit of the loss records of the Company for the Financial Year ending on 31st March, 2015, be paid the remuneration of ₹1,04,888/- inclusive of service taxes and out of pocket expenses, as set out in the statement in the Notice convening this Meeting.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all acts and take all such steps as may be necessary, proper or expedient to give effect to this Resolution.”

By order of the Board
For **MAHANAGAR TELEPHONE NIGAM LIMITED**

sd/-
(S.R. SAYAL)
Company Secretary

Place : New Delhi

Date : 01-09-2014

NOTES

- 1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE ANNUAL GENERAL MEETING (THE “MEETING”) IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING THE PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT (48) HOURS BEFORE THE COMMENCEMENT OF THE MEETING [FORM OF PROXY IS ANNEXED]. A PERSON CAN ACT AS A PROXY ON BEHALF OF MEMBERS NOT EXCEEDING FIFTY (50) AND HOLDING IN THE AGGREGATE NOT MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS. A MEMBER HOLDING MORE THAN TEN PERCENT OF THE TOTAL SHARE CAPITAL OF THE COMPANY CARRYING VOTING RIGHTS MAY APPOINT A SINGLE PERSON AS PROXY AND SUCH PERSON SHALL NOT ACT AS A PROXY FOR ANY OTHER PERSON OR SHAREHOLDER.**
2. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. Brief resume of Directors including those proposed to be appointed / re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and memberships / chairmanships of Board Committees, shareholding and relationships between directors inter-se as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the Corporate Governance Report forming part of the Annual Report and also given in Annexure-II to Notice.
3. A Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the Special Business to be transacted at the Meeting is annexed hereto as Annexure-I
5. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. The Register of Members and Share Transfer Books will remain closed from Thursday 25th September, 2014 to Tuesday 30th September, 2014 (Both days inclusive).

7. The Members are requested to notify immediately change of address and e-mail address, if any, to :-
- (i) The Company's Registrar & Transfer Agent, 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 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.
8. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 11.00 A.M. to 01.00 P.M. on all working days from the date hereof upto the date of the Meeting.
9. Members desirous of getting any information about the Annual accounts and/or operations of the Company are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to keep the information ready at the Meeting.
10. The annual report of the Company circulated to the Members of the Company, will be made available on the Company's website at www.mtnl.net.in and also will be available on the website of Stock Exchanges.
11. As an economy measures, Members are requested to bring their copy of Annual Report to the meeting as copies of Annual Report will not be distributed in the meeting.
12. Members are requested to bring with them duly completed attendance slips to avoid rush at the entrance of the meeting venue.
13. Members may avail of the nomination facility as provided under Section 72(1) of the Companies Act, 2013.
14. **Members are requested to note that the Company's equity shares are under compulsory demat trading for all investors, pursuant to the provisions of SEBI Circular No. 21/99 dated July 8, 1999. Members are, therefore, requested to dematerialise their shareholding if not done so far, to avoid inconvenience.**
15. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send their share certificates to our Registrar and Transfer Agent, for consolidation into a single folio.
16. **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 2006-2007, to the General Revenue Account/ Investor Education and Protection Fund of the Central Government. The amount of Unclaimed Dividend upto the Financial Year ended 31st March, 2007 would be transferred to the IEPF. As such members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 2007 and /or subsequent years are requested to submit their claims to the Company without any further delay. Pursuant to the provisions of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 30, 2013 (date of last Annual General Meeting) on the website of the Ministry of Corporate Affairs.**
17. **Pursuant to the MCA Circular, the Company now have the option to send Annual Report through e-mail. Hence, all the Members holding shares in electronic mode are therefore requested to ensure to keep their email addresses updated or provide their email addresses if not earlier provided to their DPs. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company by quoting their folio number(s).**

Members who have not registered their e-mail addresses so far are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. from the Company electronically.

18. The instructions for members for voting electronically are as under:-

- (i) The voting period begins on Thursday 25th September, 2014 at 9.00 A.M. and ends on Friday 26th September, 2014 at 4.00 P.M. During this period shareholders' of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date of Friday 29th August, 2014 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) The shareholders should log on to the e-voting website www.evotingindia.com
- (iii) Click on "Shareholders" tab.
- (iv) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (v) Next enter the Image Verification as displayed and Click on Login.
- (vi) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any company, then your existing password is to be used.
- (vii) If you are a first time user follow the steps given below:

	For Members holding shares in Demat Form and Physical Form
PAN	<p>Enter your 10 digit alpha-numeric *PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders)</p> <ul style="list-style-type: none"> Physical Shareholders who have not updated their PAN with the Company are requested to use the first two letters of their name in Capital Letter followed by 8 digits folio no in the PAN field. In case the folio number is less than 8 digits enter the applicable number of 0's before the folio number. Eg. If your name is Ramesh Kumar with folio number 1234 then enter RA00001234 in the PAN field Demat Shareholders who have not updated their PAN with their Depository Participant are requested to use the first two letters of their name in Capital Letter followed by 8 digit CDSL/ NSDL client id. For example: in case of name is Rahul Mishra and Demat A/c No. is 12058700 00001234 then default value of PAN is 'RA00001234.
DOB	Enter the Date of Birth as recorded in your demat account or in the company records for the said demat account or folio in dd/mm/yyyy format.
Dividend Bank Details	<p>Enter the Dividend Bank Details as recorded in your demat account or in the company records for the said demat account or folio.</p> <ul style="list-style-type: none"> Please enter the DOB or Dividend Bank Details in order to login. If the details are not recorded with the depository or company please enter the number of shares held by you as on Friday 29th August, 2014 in the Dividend Bank details field.

- (viii) After entering these details appropriately, click on “SUBMIT” tab.
- (ix) Members holding shares in physical form will then reach directly the Company selection screen. However, members holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (x) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (xi) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (xii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (xiii) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.
- (xiv) After selecting the resolution you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xv) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xvi) You can also take print out of the voting done by you by clicking on “Click here to print” option on the Voting page.
- (xvii) If Demat account holder has forgotten the changed password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xviii) Note for Non-Individual Shareholders & Custodians:
 - Institutional shareholders (i.e. other than Individuals, HUF, NRI etc.) are required to log on to <https://www.evotingindia.com> and register themselves as Corporates.
 - They should submit a scanned copy of the Registration Form bearing the stamp and sign of the entity to helpdesk.evoting@cdslindia.com.
 - After receiving the login details they have to create a user who would be able to link the account(s) which they wish to vote on.
 - The list of accounts should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - They should upload a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, in PDF format in the system for the scrutinizer to verify the same.
- (xix) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions (“FAQs”) and e-voting manual available at www.evotingindia.com under help section or write an email to helpdesk.evoting@cdslindia.com

Other instructions:

- i. Mr. Hemant Kumar Singh of M/s. Hemant Singh & Associates Practising Company Secretaries (Membership No. FCS 6033), has been appointed as the Scrutinizer to scrutinize the e-voting process (including the Ballot Form received from the Members who do not have access to the e-voting process) in a fair and transparent manner.

- ii. The Scrutinizer shall, within a period not exceeding three working days from the conclusion of the e-voting period, unblock the votes in the presence of at least two witnesses not in the employment of the Company make and submit Scrutinizer's Report of the votes cast in favour or against, if any, forthwith to the Chairman of the Company.
- iii. Members have the option to request for physical copy of the Ballot Form by sending an e-mail to mtnlcsco@gmail.com by mentioning their Folio/DP ID and Client ID No. However, the duly completed Ballot Form should reach the Registered Office of the Company not later than Friday 26th September, 2014 at 4.00 P.M.

Ballot Form received after this date will be treated as invalid.

A Member can opt for only one mode of voting i.e. either through e-voting or by Ballot. If a Member casts votes by both modes, then voting done through e-voting shall prevail and Ballot shall be treated as invalid.

- iv. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.mtnl.net.in and on the website of Beetal www.beetalfinancial.com within two days of the passing of the resolutions at the Twenty-Eighth(28th) AGM of the Company on Tuesday 30th September, 2014 and communicated to the BSE Limited and National Stock Exchange of India Limited, where the shares of the Company are listed.

PLEASE NOTE THAT NO GIFTS OF ANY SORT WOULD BE DISTRIBUTED AT THE AGM

By order of the Board

For **MAHANAGAR TELEPHONE NIGAM LIMITED**

sd/-

(S.R. SAYAL)

Company Secretary

Place : New Delhi

Date : 01/09/2014

CIN: L32101DL1986GOI023501.

REGISTERED AND CORPORATE OFFICE

MAHANAGAR TELEPHONE NIGAM LIMITED

CIN: L32101DL1986GOI023501

Regd. Office : Mahanagar Doorsanchar Sadan

5th Floor, 9 CGO Complex,

Lodhi Road, New Delhi - 110 003

Tel: 011-24319020, Fax: 011-24324243,

Website: www.mtnl.net.in / www.bol.net.in

EXPLANATORY STATEMENT.

(Pursuant to Section 102 of the Companies Act, 2013)

As required by section 102 of the Companies Act, 2013 (Act), the following explanatory statement sets out all material facts relating to the business mentioned under Item Nos. 4 and 5 of the accompanying Notice:

Item No. 4: Issue of Non-Convertible Debentures on Private Placements basis

Rule 14(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 prescribed, inter alia, under Section 42 of the Companies Act, 2013 inter alia deals with Private Placement of Securities by a company.

MTNL Board in its 298th Board Meeting held on 7th July, 2014 has passed resolution regarding issue of Bond of ₹3769 crs as financial support to MTNL on surrender of BWA spectrum equivalent to the upfront charges paid for such spectrum. In the 295th Board Meeting held on 14th February, 2014 the MTNL Board has approved the proposal to issue Bonds worth ₹4533.97 crs as financial support to MTNL on surrender of BWA Spectrum. Against the same, MTNL had raised Bonds Debenture worth ₹765 crs and such the remaining amount Sovereign Guarantee of ₹3769 crs is pending for raising to which we have sought fresh GOI Guarantee which is expected any time. MTNL intends to raise upto ₹3769 crs through private placement basis, Government of India Guaranteed, Unsecured, Listed, Redeemable, Non Convertible Bonds in the nature of Debentures (NCDs).

Accordingly, consent of members is hereby sought for passing a Special Resolution. This resolution enables the Board of Directors of the company to offer or invite subscription for non-convertible debentures, as may be required by the company, from time to time for a year from the conclusion of this Annual General Meeting.

None of the Directors/Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item no. 4 of the Notice.

The Board recommends the Special Resolution set out at Item No. 4 of the Notice for approval by the shareholders.

None of the Directors/Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item no. 4 of the Notice.

Item No. 5: Approval of Remuneration payable to Cost Auditor

The Board has approved the appointment of M/s R.M. Bansal & Co. , Cost Accountants as the Cost Auditors of the Company to conduct the audit of the cost records of the Company for the Financial Year 2014-15, at a fee of ₹1,04,888/- inclusive of service taxes and out of pocket expenses, as a remuneration for the cost audit services.

In accordance with provisions of Section 148 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014, the remuneration payable to Cost Auditors to be ratified by the shareholders of the Company.

Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item No. 5 of the Notice for ratification of the remuneration payable to the Cost Auditors for the Financial Year ending on 31st March, 2015.

None of the Directors/Key Managerial Personnel of the Company/ their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item no. 5 of the Notice.

The Board of Directors recommends the above resolution for your approval.

By order of the Board
For **MAHANAGAR TELEPHONE NIGAM LIMITED**
sd/-
(S.R. SAYAL)
Company Secretary

Place : New Delhi
Date : 01/09/2014

Annexure-II

Details of Directors seeking Appointment/ Reappointment as required under Clause 49 of the Listing agreement with the Stock Exchange.

Name of Director	Shri V. Umashankar
Date of Birth	01.07.1968
Date of Appointment	15.03.2013
Experience in Specific Functional Area	Presently acting as Joint Secretary in Deptt. of Telecommunications, Ministry of Communication & IT, and Government of India since 5th March, 2013. He joined Indian Administrative Services (IAS) in 1993. He has a wide experience of about 20 years at various coveted position.
Qualification	B.Tech in Mechanical Engineering & Post Graduate in Public policy and Management.
List of outside Directorships (Public Companies and Subsidiary of Public Companies)	Bharat Broadband Nigam Limited. (BBNL)
Chairman (C)/Member (M) of the Audit & Stakeholder Relationship Committee across Public Companies.	MTNL <ul style="list-style-type: none">• Audit Committee (M)
No. of Shares held	NIL

MAHANAGAR TELEPHONE NIGAM LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501.

Registered and Corporate Office: Mahanagar Doorsanchar Sadan 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi - 110 003.

Tel: 011-24319020, Fax: 011-24324243, Website: www.mtnl.net.in / www.bol.net.in

PROXY FORM (MGT-11)

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of Companies (Management and Administration) Rules, 2014]

CIN : L32101DL1986GOI023501
Name of the Company : MAHANAGAR TELEPHONE NIGAM LIMITED
Registered Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003
Name of the Member :
Registered Address :
Email ID :
Regd. Folio No./Client ID :
DP ID :

I/We, being a member/members of shares of the above named Company, hereby appoint

1. Name: Address:
Email ID: Signature: Or failing him
2. Name: Address:
Email ID: Signature: Or failing him
3. Name: Address:
Email ID: Signature: Or failing him

As my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company, to be held on Tuesday 30th September, 2014 at 11.30 A.M. at Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

1. 2. 3.
4. 5.

Signed this.....day of.....2014 Signature of Shareholder:

Signature of Proxy Holder(s):

Notes: This Form of Proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.

MAHANAGAR TELEPHONE NIGAM LIMITED
(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501.

Registered and Corporate Office: Mahanagar Doorsanchar Sadan 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi - 110 003.

Tel: 011-24319020, Fax: 011-24324243, Website: www.mtnl.net.in / www.bol.net.in

ATTENDANCE SLIP

Name.....Folio No.....No. of Shares.....

DP ID*.....Client Id*.....

I hereby record my presence at the 28th Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at Auditorium, Mahanagar Doorsanchar Sadan, , 9 CGO Complex, Lodhi Road, New Delhi-110003 on Tuesday 30th September, 2014 At 11.30A.M.

Signed this.....day of.....2014 Signature of Shareholder:

Signature of Proxy Holder(s):

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.

FORM B

Format of Covering letter of the Annual Audit Report to be filed with the Stock Exchanges

1.	Name of the Company	Mahanagar Telephone Nigam Limited
2.	Annual Financial Statements for the year ended	March 31 st , 2014
3.	Type of Audit qualification	Qualified Audit opinion
4.	Frequency of qualification	Normally repetitive (qualifications at I to XVI) and qualifications at XVII to XIX are first time.
5.	Draw attention to relevant notes in the Annual Financial Statements and management response to the qualification in the Directors Report:	<p>Headings (Page no. of the Annual Report of qualification/ Page no. of the management response)</p> <ol style="list-style-type: none"> I. BSNL Receivable/ Payable (Page no. 48/150) II. DOT Receivable / Payable (Page no.48/150) III. License Fee (Page no.48-49/151) IV. Overhead Allocations (Page no.49/151) V. Impairment of Assets (Page no.49/152) VI. Wealth Tax (Page no.49/152) VII. Others Receivable/Payable (Page no.49/152-153) VIII. Doubtful Debts (Page no.49/153) IX. Reconciliation of Balances (Page no.49-50/153-154) X. Roaming Reconciliation (Page no.50/154) XI. Capitalization (Page no.50/155) XII. Reconciliation Coupons etc.(Page no.50/155) XIII. Repayment of Investment by ITI to MTNL (Page no.50/155-156) XIV. Assets Records (Page no.51/156) XV. DOT Spectrum Related demand (Page no.51/156-157) XVI. Segment Reporting (Page no.51/157) XVII. IT Refund and Rectification (Page no.51/158) XVIII. Balances Advance Tax etc. (Page no.51-52/158) XIX. Pensionary Benefits etc. (Page no.52/158)
6.	Additional comments from the Board/Audit Committee chair	No additional comments were received from the Board/Audit Committee Chair.
7.	To be signed by—	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <ul style="list-style-type: none"> • CEO/Managing Director • CFO • Auditor(s) of the Company <ol style="list-style-type: none"> 1. M/s V K Dhingra & Co. 2. M/s Arun K. Agarwal & Associates • Audit Committee Chairman </div>





