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# LIMITED REVIEW REPORT

**To**
**The Board of Directors,**
**Mahanagar Telephone Nigam Limited**

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of Mahanagar Telephone Nigam Limited for the quarter ended on June 30, 2015 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This statement is the responsibility of the Company's management and has been approved by the board of directors. Our responsibility is to issue a report on these financial statements based on our review.

2. We conducted our review in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

3. Based on our review conducted as above, *except for the observations / matters mentioned in Annexure – I to this report,* no other matter has come to our attention, that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with the applicable Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 and other recognized accounting practices and policies generally accepted in India has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed or that it contains any material misstatement.

**For ARUN K AGARWAL & ASSOCIATES**
**CHARTERED ACCOUNTANTS**
**FRN : 003917N**

Arun K. Agarwal & Associates ★ Chartered Accountants ★ New Delhi

**(SANJAY GUPTA)**
**PARTNER**
**M. No. 095506**
**PLACE : NEW DELHI**
**DATE : AUGUST 14, 2015**

**For V. K. DHINGRA & CO.**
**CHARTERED ACCOUNTANTS**
**FRN : 000250N**

V.K. DHINGRA & CO. ★ NEW DELHI ★ CHARTERED ACCOUNTANTS

**(VIPUL GIROTRA)**
**PARTNER**
**M. No. 084312**

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**ANNEXURE I TO THE LIMITED REVIEW REPORT ON STANDALONE UNAUDITED FINANCIAL RESULTS OF MAHANAGAR TELEPHONE NIGAM LIMITED FOR THE QUARTER ENDED ON June 30, 2015**
**(Referred to in Para 3 of our report dated August 14, 2015)**

1) In respect of the qualifications/ other observations of previous audit reports and/ or limited review reports, though the Company has considered some of the qualifications/ other reservations, it has neither indicated how those qualifications/ other reservations have been resolved nor assigned any reason/ steps which the Company intends to take in respect of the qualification / other reservations remaining unresolved in compliance to Clause 41(iv) (c) of the Equity Listing Agreement.

2) The Company continues to allocate the establishment overheads towards capital works on estimated/ adhoc basis. In view of the basis being not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets", the same results into overstatement of capital work in progress/ fixed assets and understatement of losses. The actual impact of the same on the capitalization & losses for period has not been ascertained. Moreover, in the absence of confirmation of work completion & WIP (work in progress), authenticity and accuracy of amount outstanding and shown as WIP for extra ordinary time period cannot be examined. Accordingly consequential impact on the attached unaudited financial results cannot be ascertained.

3) a) All the receivables and payables including amount receivable / payable from / to DOT, ITI Ltd., Inter Unit Accounts, bank balances, subscribers deposits pertaining to Delhi Unit and ITC cards are subject to confirmation and/or reconciliation. The Company is not making any provision for old unreconciled outstanding balances from DOT, Govt. agencies and other operators. Any consequential impact of the same on the attached unaudited financial results is not ascertainable.

b) All the receivables and payables from / to BSNL are subject to confirmation and/or reconciliation. The Company is not making any provision for old unreconciled outstanding balances from BSNL.

Any consequential impact of the above on the attached unaudited financial results is not ascertainable.

4) On reconciliation of balance outstanding under refund due to subscribers account in Mumbai Unit with actual amount due for refund, Rs.37.13 crore was identified as excess liability appearing in the financial books. Pending decision on final treatment of this excess amount, the same has been retained as liability in the financial books resulting into overstatement of loss and overstatement of current liabilities.

Arun K Agarwal & Associates Chartered Accountants New Delhi

V.K. DHINGRA & CO. NEW DELHI CHARTERED ACCOUNTANTS

**Contd..2/***

5) Based on the expert opinion, the Company has not been deducting tax at source on services received from BSNL.

6) From financial year 2012-13, the licence fee payable to DOT on IUC charges to BSNL has been worked out strictly as per the terms of Licence Agreement. However shortfall of Rs. 140.36 crore on this account for the period up to financial year 2011-12 shown as contingent liability in 2014-15 has not been provided for in the quarter ended on June 30, 2015 also resulting into understatement of losses and understatement of current liabilities to that extent.

7) In respect of sundry creditors, in Mobile Services, Mumbai, liability towards one of the vendors of Rs. 106.73 crores is appearing in the financial books as against the liability of Rs. 42.01 crores to be retained as per the other available records. Pending reconciliation and review of records spread over the years from 2006-07 to 2012-13, no corrective entries have been passed in the financial books during the quarter ended on June 30, 2015. Impact of the same on the financial statements of the Company cannot be ascertained pending the said reconciliation and review.

8) The Company had invested Rs. 100 crore in 8.75 % Cumulative Preference Shares M/s ITI Ltd in 2001-02. As per the revised repayment schedule, the said investment was to be redeemed in five equal installments starting from 2012-13. On default by M/s ITI Ltd. to meet its rescheduled obligations also, a provision was made by MTNL for first three installments of Rs. 20 crore each in 2012-13, 2013-14 and 2014-15 instead of provision for full investment. No provision has been made on this account for the balance amount of Rs. 40 crores in the quarter ended on June 30, 2015 also resulting into understatement of losses and overstatement of non current investments / current investments to that extent.

9) Except for impairment of assets of CDMA Delhi Unit due to closure of CDMA operations, no impairment tests have been carried out on value of the fixed assets as at June 30, 2015. Due to recurring losses incurred by the Company and uncertainty in the achievement of projections made by the Company, we are unable to comment on the provisions, if any, required in respect of impairment of carrying value of the fixed assets and its consequential impact on the loss for the quarter ended on June 30, 2015.

10) 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 for the quarter ended on June 30, 2015.

11) During the financial year 2012-13 Department of Telecommunication ( DOT ) had raised a demand of Rs. 3313.15crore 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. After correction in the demand for CDMA, the same was subsequently revised to Rs. 3205.71crore.

**Contd..3/***

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 was created for the demand made by DOT on this account and Rs. 3205.71crore had 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 attached unaudited financial results of the company for the quarter ended on June 30, 2015 also.

12) Other current assets include claim of Income tax refund for F.Y. 1999-2000 of Rs. 101.54 crore arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department . This includes tax amount of Rs. 60.30 crore and interest accrued thereon amounting to Rs. 41.24 crore. 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 attached unaudited financial results of the company for the quarter ended on June 30, 2015.

13) 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 attached unaudited financial results of the company for the quarter ended on June 30, 2015.

14) The overall impact of matters referred to in above paras (except for para 4, 6 and 8 above) on the attached unaudited financial results of the company is not determinable.

**For ARUN K AGARWAL & ASSOCIATES**
**CHARTERED ACCOUNTANTS**
**FRN : 003917N**

**(SANJAY GUPTA)**
**PARTNER**
**M. No. 095506**

Arun K. Agarwal & Associates ★ Chartered Accountants ★ New Delhi

**For V. K. DHINGRA & CO.**
**CHARTERED ACCOUNTANTS**
**FRN : 000250N**

**(VIPUL GIROTRA)**
**PARTNER**
**M. No. 084312**

V.K. DHINGRA & CO. ★ NEW DELHI ★ CHARTERED ACCOUNTANTS

**PLACE : NEW DELHI**
**DATE : AUGUST 14, 2015**