



30th Annual Report 2015-2016

MAHANAGAR TELEPHONE NIGAM LIMITED

Transparency makes us different !



Thirtieth Annual Report 2015-16

**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".



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**BOARD OF DIRECTORS
(AS ON 22.08.2016)**

Shri P.K.Purwar	CMD & Director (Finance)
Shri Sunil Kumar	Director (HR&EB)
Shri Sanjeev Kumar	Director (Tech)
Shri Amit Yadav	Director (Government Nominee)
Ms.Tiakala Lynda Yaden	Director (Government Nominee)
Shri Ashok Mittal	Independent Director
Shri Rakesh Nangia	Independent 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 MEHRA GOEL & CO.

Chartered Accountants

505, Chiranjiv Tower, 43 Nehru Place, New Delhi-110019

Phone: 011- 26419527, 26430349 Fax: 011- 26217981

COST AUDITOR

M/s R. M. Bansal & Co.

Cost Accountants

Flat No. 260, Pocket A, Sarita Vihar, New Delhi-110076

Phone: 09415134328

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

IndusInd Bank, Mumbai

Andhra Bank

Jammu & Kashmir Bank Ltd.



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 : National Securities Depository Ltd.(NSDL)

E-mail ID: evoting@nsdl.co.in

Scrutinizer : M/s Hemant Singh & Associates Company Secretaries

Investor Helpdesk

Ph: 011-24317225, Fax: 011-24316655

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

**30th Annual General Meeting on Friday 30th September, 2016 at 11:30 AM at Auditorium,
Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003**

The Annual Report can also be accessed at www.mtnl.net.in and websites of Stock Exchanges.



DIRECTOR'S REPORT

To
The Shareholders,
of Mahanagar Telephone Nigam Limited

Dear Shareholders,

Your Directors present the 30th Annual Report of your Company together with the Financial Statements and the Report of the Auditors as well as comments of Comptroller & Auditor General of India on the Financial Statements for the financial year ended on March 31, 2016.

PERFORMANCE REVIEW OF MTNL FOR THE FY 2015-16

The achievements / initiatives taken by MTNL during the year 2015-16 are as follows:

- **Redeployment of Smaller Capacity Broadband Exchanges:** 108 numbers of Digital Subscriber Line Access Multiplexer (DSLAMs) have been redeployed near subscriber premises in Delhi and 100 in Mumbai each thereby reducing copper length and enhancing the quality of broadband service. This has improved customer experience and reduced the number of complaints.
- **Provision of High Speed Broadband and Wi-Fi at the Hon'ble M.Ps residences:** MTNL is executing High Speed Broadband on FTTH (Fiber to the Home) and Wi-Fi project at the residences of Hon'ble MPs in Delhi for total number of 790 Hon'ble MPs residences. Out of these 731 FTTH connections have already been provided and Physical installation has been completed for Wi-Fi Services in 587 residences.
- **Mumbai City Surveillance (MCS) Project:** MTNL Mumbai as a consortium partner with M/s L&T have been executing the Mumbai surveillance project for about ₹ 281 Cr involving installation of 6000 cameras at 1500 locations. First phase has already been completed with installation of 1235 cameras.
- **State-of-the-Art Data Centre:** MTNL has established two state-of-the-art Tier-III certified Datacenters at Worli and Belapur for collocation of equipments of Mumbai City Surveillance Project. Services are being managed by a dedicated team of MTNL on 24x7 basis.
- **Higher data rates to mobile customers:** To improve network capabilities and provide better speed/quality of service to its customers MTNL has planned to upgrade the existing 3G network of Mumbai with enhanced Downlink speed of 21.1 Mbps as against 3.6 Mbps speeds in the existing Network.
- An On line testing tool (IPTESTER) has been introduced for monitoring the status on real time basis of the BTS/Node-B equipments and Broadband Equipments.
- The free night calling facility has been introduced for all landline customers for making local calls to any network in Delhi and Mumbai between 10 PM to 7 AM.
- From 1st May, 2015 local call pulse rate has been introduced for STD calls (at 180 seconds duration) for all landline customers of MTNL to any network anywhere in India between 10 PM to 7 AM.
- Free Incoming National Roaming Facility for all MTNL Mobile customers introduced w.e.f. 01.01.2016.
- Free Up-gradation of the broadband bandwidth plans to minimum 2 Mbps speed has been implemented as per plan.
- Jodi Plan has been introduced in which MTNL mobile customer can make local calls to one MTNL landline number and one MTNL mobile number at a reduced rate of 20 paise / minute.

- Launched attractive plan for FTTH broadband with speed at 10 Mbps (Fair usage data download limit of 25GB at the monthly service charge of ₹790/). Other plans provide 20 Mbps- 50 Mbps with fair usage download ranging from 45 GB to 200 GB at a monthly service charge ranging of ₹1200/- to ₹2990/-.
- Free Trial 2 Mbps Broadband Plan with free usage for one month from the date of installation for existing Landline subscribers was introduced on promotional offer for three months.

FINANCIAL RESULTS FOR THE F.Y. 2015-16

Sources and Application of Funds for the FY 2015-16 are given below:-

	(IN CRORES ₹)			
	Standalone		Consolidated	
	2015-16	2014-15	2015-16	2014-15
Income from Operations	3,196.62	3,397.53	3,303.55	3,493.99
Expenditures (excluding Interest & prior period adjustments)	5,054.48	5,225.15	5,167.77	5,327.16
Operating Profit/(Loss)	(1,857.86)	(1,827.62)	(1,864.22)	(1,833.18)
Other Income	316.09	410.07	317.80	411.16
Interest	1,296.71	1,439.62	1,297.10	1,440.10
Profit/(Loss) before Tax	(2,838.48)	(2,857.18)	(2,843.52)	(2,862.12)
Exceptional Items	-	-	-	-
Tax Provision for the Year	(492.26)	-	(490.81)	2.84
Prior Period Adjustments	(24.49)	(9.62)	(24.48)	(9.62)
Profit/ (Loss) for the Year from Continuing Operations	(2,321.73)	(2,847.56)	(2,328.23)	(2,855.34)
Profit/ (Loss) for the Year from Discontinuing Operations	315.99	(45.83)	315.99	(45.83)
Profit/ (Loss) for the Year	(2,005.74)	(2,893.39)	(2,012.24)	(2,901.17)
Appropriation				
Interim/ Proposed Final Dividend	-	-	-	-
Dividend Tax	-	-	-	-
Transfer to/(from):				
a) Contingency Reserve	-	-	-	-
b) Debenture Redemption Reserve	-	-	-	-
SOURCES AND USES OF FUNDS				
Authorised Capital	800.00	800.00	800.00	800.00
Issued, Subscribed & paid up capital	630.00	630.00	630.00	630.00
Reserves & Surplus	(617.40)	1,437.42	(610.85)	1,428.57
Secured and Unsecured Loan	17,932.71	16,604.40	17,932.83	16,608.05
Deferred Tax Liability (Net)	-	-	4.51	3.34
REPRESENTED BY				
Fixed Assets (Net Block)	9,563.60	10,432.32	9,712.69	10,569.71
Investment (Net)	141.98	181.98	-	40.00
Other Assets	16,284.23	16,101.70	16,336.01	16,146.38
Other Liabilities	8,146.52	8,178.02	8,194.25	8,220.21
Capital Work in Progress	102.02	133.84	102.05	134.07

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



Standalone MTNL

Particulars	FY 2015-16			FY 2014-15		
	Continued Operations	Discontinued Operations	Total	Continued Operations	Discontinued Operations	Total
Total Income	3,512.71	466.52	3,979.23	3,807.60	13.46	3,821.06
Total Expenses	5,834.44	150.53	5,984.97	6,655.16	59.28	6,714.45
Net Profit/Loss	(2,321.73)	315.99	(2,005.74)	(2,847.56)	(45.82)	(2,893.39)

Consolidated MTNL

Particulars	FY 2015-16			FY 2014-15		
	Continued Operations	Discontinued Operations	Total	Continued Operations	Discontinued Operations	Total
Total Income	3,621.35	466.52	4,087.87	3,905.15	13.46	3,918.61
Total Expenses	5,949.58	150.53	6,100.11	6,760.50	59.28	6,819.78
Net Profit/Loss	(2,328.23)	315.99	(2,012.24)	(2,855.35)	(45.82)	(2,901.17)

INFORMATION REGARDING ISSUE OF BONDS BY MTNL DURING FINANCIAL YEAR 2015-16.

No Bonds have been issued by MTNL during Financial Year 2015-16.

DIVIDEND

Since there has been no operating profit during the FY 2015-16, the Board of Directors of your company expresses its inability to recommend any dividend for the year under report.

SUBSIDIARY AND JOINT VENTURE COMPANIES

As on 31st March, 2016, your company has two subsidiaries and two Joint Ventures companies. There has been no material change in the nature of the business of the Subsidiaries. Pursuant to provisions of Section 129 (3) of the Act, a statement containing salient features of the Financial Statements of the Company's Subsidiaries in Form AOC-1 is attached to the Financial Statements of the Company. Further, pursuant to the provisions of Section 136 of the Act, the Financial Statements of the Company, Consolidated Financial Statements along with relevant documents and separate Audited Accounts in respect of Subsidiaries, are available on the website of the Company.

(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 as on 31st Mar 2016 has grown to 271,888 resulting in a market share of around 19%. MTML is offering 2G/3G in all over island and 4G at selected areas. The revenue of the company also is growing consistently. MTML has already earned gross revenue of approx INR 1,028 million during the financial year as against INR 880 Million in the corresponding period of last fiscal year, thereby registering a growth of around 16.8%. Despite the intense competition and saturated market, the company could increase its revenue due to customer centric efforts in designing specific packages and services. In the year 2015, the company has upgraded its entire network for high speed data services (HSPA) and introduced LTE (4G) in some select areas. All the expenses of the company are paid from its own internal resources. The CAPEX for procurement of equipments is also being met from its own internal resources. MTML is operating from its own building also constructed from internal resources situated at 63, Cyber City , Ebene, Mauritius which is considered to be heart of IT hub in Mauritius. There is no debt liability on the company. The company is managed



by CEO, CTO, CFO and 9 more officers all on deputation from the parent company. Other operations are managed through outsourcing.

(ii) Millennium Telecom Ltd. (MTL)

Millennium Telecom Ltd (MTL) is a wholly owned subsidiary of MTNL, incorporated in February 2000 under the Companies Act 1956. MTL was in loss for many years. But now it is moving ahead towards the path of revival. In 2014-15, the company turned into profit by System Integration other ICT related works at Pan India level. MTL had a profit of Rs 41 lakhs approximately for the period ending 31st March 2016. MTL is in the process of winning over more orders in the upcoming years. Services being offered by MTL are Telecom & IT Consultancy, Project Management, End-to-end ICT Solutions, IT for Education and Health Sector, Skill Development & Capacity Building, Security & Surveillance, Cloud Computing, Managed Services etc. MTL is developing core capabilities by partnership model for execution of Digital India, Smart City, Skill India etc the Government of India projects.

Major Achievements of MTL: Web Hosting Services to NHA, connectivity of 7 Toll Plazas for NHA Data Centre, RF link to Air India, Campus wide Wi-Fi, LAN network and RF links for Central University of Haryana and Training to 1400 students in ICT at various locations in J&K funded by J&K Govt.

Many new projects in pipeline: 1) Uttarakhand Government had listed MTL as executive agency for execution of IT related projects of Uttarakhand Government. Accordingly, enquiries for work relating to IT projects are being received from different department of Uttarakhand Government. In this regard, for work of High Court Uttarakhand, MTL had submitted a techno commercial proposal (Approx. five Crores) to Registrar, High Court Uttarakhand Nainital for providing end to end solution to subordinate courts under eCourt Project. Uttarakhand Forest Development Corporation has also invited Expression of Interest (EOI) from MTL for services to design and operationalise software for e-Auction of timber. 2) MTL team is aggressively working towards generating leads for executing Wi-Fi Network projects for Hospitals and Colleges of Delhi and NCR. In this context, CMD, MTL has sent Wi-Fi Proposal to various Hospitals and educational institutes. In this regard, response has been received from various hospitals and colleges. Accordingly EOI is being floated for Rate Contract on OPEX model for managed services of Campus wide Wi-Fi. 3) Laying of underground telephone cables at INS Tanaji Mumbai, Project of Commander, INS Tanaji, Sion-Trombay Road, Mankhurd, Mumbai. 4) Introductory letter by COO-MTL Delhi sent to states like Bihar, Rajasthan, Uttar Pradesh, Arunachal Pradesh, Chandigarh, Punjab etc regarding provision of solar solutions in their offices / buildings. 5) For more business opportunity, efforts are being made by MTL/MTNL Management, to have synergies with BSNL also. 6) MTL is exploring option for empanelling Business Development Associates for Business generation and capacity building in Digital India, Small City, Skill India, Standup India etc. Now the matter is being pursued by MTNL Delhi Unit.

(iii) United Telecommunications Ltd. (UTL)

United Telecom Ltd.(UTL) is a Joint Venture company of MTNL, TCIL, TCL (erstwhile VSNL) and NVPL where MTNL holds 26.68% shares and the shareholding of all Indian Partners i.e. MTNL, TCIL & TCL was 80% while the local partner was holding 20%. During the last three years, the company is not doing well and the Indian Partners have not contributed any amount into share capital while the local partner has contributed into its convertible loans. On conversion of loan into capital, the holding of Local Partner i.e. NVPL will increase beyond 51%. The company has earned an income of ₹7crs. during the financial year 2015-16. The gross loss is ₹42.51crs.

(iv) MTNL STPI IT Services Ltd. (MSITS)

MTNL STPI IT SERVICES LTD (MSITSL) is a 50:50 Joint Venture company of Mahanagar Telephone Nigam Limited (MTNL) and Software Technology Parks of India (STPI). MSITSL was incorporated on 31/03/2006 under the Companies Act, 1956, with authorized Capital of ₹ 50 Crores. In order to implement one of its objectives



MSITSL has established the physical infrastructure of Tier III Data Center at Chennai on space taken on lease basis from STPI. The Data Center has server farm area of around 3500 sq. ft. and the total investment made in this regard is of ₹477 lakhs. This Tier III Data Center is maintaining 99.98% uptime on 24X7 basis. The commercial operation of the Data Center commenced in 2009. The Ministry of External Affairs (MEA) has hosted the Passport Seva Project at MSITSL Data Center through M/s TCS. The Directorate General of Employment & Training (DGE&T) in Ministry of Labour & Employment has hosted National Career Project through STPI at MSITSL Data Centre. Many IT/ITES companies have also co-located servers and networking equipments in the MSITSL Data Centre. MSITSL has earned the revenue for the period of 2009-10: ₹196 lakhs, for the year 2010-11: ₹275 lakhs, for the year 2011-12: ₹297 lakhs, for the year 2012-13: ₹360 lakhs, for the year 2013-14: ₹388 Lakhs and for the year 2014-15: ₹422 Lakhs. For the period 2015-16 : ₹534 Lakhs.

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2015-16 (AS ON 31ST MARCH, 2016)

Your Company has the following equipped and used capacity of Landline, GSM, WLL etc. as on 31st March, 2016:-

Details of System Status of MTNL As on 31st March 2016(31.03.2016)

S. No	Parameters	Delhi	Mumbai	Total
1	Number of switches	337	253	590
2	Details of Capacity			
	(a) Fixed Phones	2,416,505	2,586,392	5,002,897
	(b) GSM	2,800,000	2,800,000	5,600,000
	(c) Broadband Capacity (in ports)	788,736	845,908	1,634,644
3	DELS (including Fixed-Line, GSM and Broadband)	4,527,994	3,718,502	8,246,496
	(a) Fixed Line	1,615,433	1,888,655	3,504,088
	(b) GSM	2,318,460	1,242,396	3,560,856
	(c) Broadband Subscribers	594,101	587,451	1,181,552
4	FTTH Subscribers	3,407	4,088	7,495
5	ISDN	8,049	13,645	21,694
6	DLC (No)	425	523	948
7	Tax Capacity	150,000	115,200	265,200
8	Tandem Capacity	402,500	363,240	765,740
9	Optical fiber cable			
(a)	In Route KMs	8,871.08	8,116.43	16,987.51
(b)	In Fiber KMs	277,749.92	259,680.09	537,430.01
10	Leased Circuits	12,613	18,150	30,763

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. 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 achievements for the financial year 2015-16 are as per table given below:-

UNIT	Achievement
Delhi	3474
Mumbai	3023
Total	6497

At present MTNL has its in house two state of the art training centres one located in New Delhi and other at Mumbai. The details of the achievement of training centers at Delhi and Mumbai respectively are given below:

(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 2015-16, ITTM has successfully trained 1010 Executives with an achievement of 4346 Man days and 1348 Non Executives with an achievement of 3790 Man days. Besides these, 1116 others* were also trained with 16548 Man days. Others* include Industrial trainings/Industrial visits of Engineering students/One day lectures outside ITTM on Digital India and Leadership Qualities and short term courses for outsiders/students, housewives etc.

Revenue earned at ITTM by providing Industrial training to Engg Students / Industrial Visits and Short Term Courses for Outsiders for Financial Year 2015-16 is as below:

Industrial Training (Students)	₹ 5232279/-
Short Term Courses	₹ 11454/-
One day Industrial Visits	₹ 3550/-
Total (₹ Inc all Taxes)	₹ 5247283/-

New Development:

Short Term (One Day / Two days) training programs for outsiders including students , housewives & others were started on following courses in 2015-16– i) E-Social Networking, ii) Personality Development ,iii.) Computer



familiarization, iv) Broadband & Wi-Fi and v) FTTH. Setting up of Wi-Fi Lab at ITTM is in progress in advance stage. 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 and various wellness programs.

(II) Centre for Excellence in Telecom Technology & Management (CETTM), Mumbai

The Centre for Excellence in Telecom Technology & Management (CETTM) is situated at Technology Street, Hiranandhani Garden, Powai, and Mumbai. The competition in the field of training is increasing tremendously with each passing day. Despite of the fierce competition, CETTM has achieved following during Financial year 2015-16.

- 200 Students were trained in various courses under Corporate Social Responsibility (CSR), while 82 students took part in one/two/six months Project Training works. Total 2028 number of Engineering College Students from 17 different Collages took part in “Industrial Visit Programme” during 2015-16.
- 31 senior officers from the Security Wing from Cabinet Secretariat have been trained in various Technologies of Telecommunications and IT related courses.
- Under ITEC/SCAPP program, sponsored by MEA, Govt. of India, CETTM has successfully completed 13 programs, 4 programs are in continuation. Total 220 officials from 53 different countries participated.
- CETTM had MOU with Maharashtra State Board of Technical Education (MSBTE) for training their faculties from various Polytechnics. Under this MOU, first two batches of training program on “3G Technologies” & “Next Generation Transport Technology” had been conducted.
- CETTM also tied up with Welinkar Institute for providing Post Graduate Program on Telecom Management. 9 students passed out in 3rd batch.
- Apart from this CETTM has conducted two 4weeks Vender training on “OCB -283 O&M course” for M/s. Alcatel and ITI for completing the condition under AMC.
- MOU done with D-Link academy for providing 5 days handsome training & Global Certification program D-Link certified Specialist DCS Switching. Courses contents: on “Switching and routing technology” at CETTM. First batch planned on 11th April2016.
- CETTM has conducted various short duration Technical as well as Management related courses for MTNL employees on need basis to improve MTNL services.
- Apart from the above, CETTM has successfully trained 3023 in-house personnel and 2887 external personnel with an achievement of 29503 Trainee days. Moreover, there were a total of 378 Programs conducted altogether.
- New short duration courses introduced on FTTH, Broadband, OF Splicing etc.

Conducted Workshops on following topics by guest lecturers: 1) “G-Fast “standerds by M/s.Alcatel, 2) “Creative Living” by Dr Maya Kripalani ,Consultant Psychologist, 3) “Implementation of Reservation Policy for SC/ST/OBC/PWD Employees” was conducted for SC/ST/OBC/PWD Executives of MTNL Mumbai by special guest lecturer Shri Jaiprakash Ingale from HPCL 4)“SMPS Modules & its repairing” was conducted by Engineers from ITI Raibareli

Business Development at CETTM

1. Three years agreement, for Leasing of 18 Rooms in the CETTM Hostel to Mazgaon Dockyard on monthly rental basis is in signing stage.
2. Leasing of 18 unfurnished Hostel rooms to Bacconi is in signing stage.



3. Proposal for renting out 50 furnished Hostel rooms to HPCL is in process.
4. MoU done with D-Link Academy to offer courses for Engineering/IT students /professionals on Switching & Routing Technology training & Global Certification program.
5. Ties up with Sync-route is in process for offering TMT (Telecom, Media & Technology) Courses to students.
6. Maharashtra State Board of Technical Education & MTNL CETTM join hands for conducting courses under Faculty development programs, to train the faculty of the Polytechnic colleges, in various areas of Telecomm Technology.
7. MOU with TSSC for Skill Development courses is in signing stage.
8. Major Clients in 2015-16 include like Central Bank of India, NPCIL, WIPRO, BPCL, CRISIL, IIT Bombay, Dept of Sales Tax, Directorate of Economics & Statistics. IRB Infrastructure, Aegis, British Council, Quintiles etc.
9. Total revenue achieved for year 2015-16 is 16.1Cr. an increase of 15% compared to last financial year 2014-15.

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.

Further, MTNL was paying Pension to the absorbed employees for the service rendered in Govt. For the past few years MTNL was pursuing with Govt. for settlement of the pension issue. The Pension issue was considered by the Govt and it has been decided that Payment of pensionary benefits to all categories of the erstwhile employees of the Government (Gr. A, B, C & D) absorbed in MTNL, who have opted for pension on combined service, will be made by Govt. in the same manner as in BSNL w.e.f 01/10/2000.

EMPLOYEES' WELFARE

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

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

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

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

Your Company has 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.



IMPLEMENTATION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

The Company has constituted an Internal Complaint Committee on Prevention, Prohibition & Redressal of Sexual Harassment of women at workplace and matters connected therewith or incidental thereto covering all aspects as contained in the Sexual Harassment of Women at workplace (Prevention, Prohibition & Redressal) Act, 2013.

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 in night shifts. Also to redress the issues of Sexual Harassment at workplace, special cells have been constituted. 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.

MANPOWER STATUS

As on 31st March, 2016 your company had a working strength of employees as per details given below:-

Group	Total Working	SC	ST
A	881	148	57
B	3473	484	81
C	18287	3405	312
D	8415	2095	624
Total	31056	6132	1074
TSM	14		
Grand Total	31070	6132	1074

CORPORATE SOCIAL RESPONSIBILITY (CSR)

No CSR funds has been allocated/spend for CSR activities during the Financial Year as the requirement for allocation of funds for CSR activities under section 135 of the Companies Act, 2013 does not arise due to average loss during the three immediately preceding years. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of this Report. The Policy is available on the website of the company (www.mtnl.net.in)

VIGILANCE

The Vigilance organization of MTNL is headed by Chief Vigilance Officer. Presently Shri Anand Prakash, GM(Vigilance), Delhi is looking after charge of CVO, MTNL. The CVO is responsible for complete vigilance administration in MTNL. During the year 2015-16, 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 26.10.2015 to 31.10.2015. During this week, various activities like pledge taking, release of two booklets on (i) "Preventive Vigilance as a Tool for Good Governance" and (ii) book on vigilance and discipline with a focus on



the subject Preventive Vigilance a tool for Good Governance and containing the chapters on main function of vigilance, MTNL Conduct Disciplinary and Appeal Rules-1998 (Executive), Certified Standing orders for MTNL C & D Employees (Non Executives), Do's and Don'ts are distributed. Also quotations and lectures, seminar and workshop organized. Further a lecture on "Preventive Vigilance as a Tool for Good Governance" was delivered at MTNL, Delhi by Sh. B.P.Bagchi, SP, CBI.

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) focused 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.

MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT.

No material changes and commitment affecting the financial position of the company occurred between the end of the financial year to which this financial statements relate and the date of the report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO

The provisions of Section 134(m) of the Companies Act, 2013 do not apply to the Company as your Company is a service provider. The total foreign inflow was ₹ 4.29 Crores and outflow was ₹ 5.55 Crores during the year under review.

ENTERPRISE RISK MANAGEMENT POLICY FOR THE F.Y. 2016-17

The Board of Directors of the Company has formed a Risk Management Committee to frame, implement and monitor the risk management plan for the Company. The Committee is responsible for reviewing the risk management plan and ensuring its effectiveness. The Audit Committee has additional oversight in the area of financial risks and controls. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The development and implementation of risk management policy has been covered in the management discussion and analysis, which forms of this report.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under report, the Board of Directors of your Company met frequently. In the Financial Year 2015-16, 7 (Seven) Board Meetings were held. The intervening gap between any two meetings was within the period prescribed by the Companies Act, 2013. Details of Board Meetings are given in Corporate Governance Report



which forms part of this 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, Cellular Mobile Telephony and other value added services.

DECLARATION BY INDEPENDENT DIRECTOR

The Company has received necessary declaration from the Independent Directors i.e. from Shri Rakesh Nangia and Shri Ashok Mittal under Section 149(7) of the Companies Act, 2013 that they meet the criteria of Independence laid down in the Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI (LODR), 2015.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

During the period under review, the Company had not entered with any Material Transaction with any of its related parties. The Company's major Related Party Transactions are generally with its subsidiaries and associates. All Related Parties Transactions were in ordinary course of Business and were negotiated on an Arm's Length basis, they were intended to further the company's interest. Accordingly, the disclosure of Related Party Transactions as required under 134(3)(h) of Companies Act, 2013 in form AOC-2 is not applicable. Web link for Policy on Materiality of Related Party Transactions and also on dealing with Related Party Transactions has been provided in the Report on corporate Governance which forms part of Annual Report.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013

During the year, there were no loans given, guarantees provided or investments made by the MTNL under Section 186 of the Companies Act, 2013.

CORPORATE GOVERNANCE

Your Company follows the principles of effective Corporate Governance Practices. The Company has taken steps to comply with the requirements of SEBI(LODR), 2015 which came into effect from 01.12.2015. MTNL also complies with the Corporate Governance Guidelines enunciated by Department of Public Enterprises (DPE), Government of India for Central Public Sector Enterprises (CPSEs). MTNL is filing its reports, statements, documents etc. with NSE & BSE on the electronic platform. A Report on Corporate Governance has been appended under the separate section titled Corporate Governance Report.

CERTIFICATE FROM THE PRACTISING COMPANY SECRETARY REGARDING THE COMPLIANCE OF CORPORATE GOVERNANCE

A certificate from the M/s V.K. Sharma & Co. Practising Company Secretary, regarding compliance of conditions of Corporate Governance as stipulated under Schedule V (E) of SEBI (LODR), 2015 and DPE Guidelines is attached as an 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"

In compliance of MCA circular regarding green initiatives the Annual Report for the Financial Year 2014-15 was sent by e-mail to the shareholders whose e-mail addresses are available with the company. It is proposed that your company will send 30th Annual Report (for the F.Y. 2015-16) also by email to all the shareholders who have



provided valid email IDs. Further your company request all shareholders holding shares in electronic mode to keep their email addresses updated or provide their email addresses if not earlier provided to their respective 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 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 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, 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.

INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

MTNL had appointed Internal Financial Control Consultants M/s HDSG & Associates for reviewing, evaluating and identifying MRCM and establishment of effective Internal Control System of MTNL for the FY 2015-16. The Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

FIXED DEPOSITS

We have not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date on this account.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURE

As per the provisions of Section 197(12) of Companies Act, 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, every listed company is required to disclose the ratio of the remuneration of each director to the median employee's remuneration and details of employees receiving remuneration exceeding limits as prescribed from time to time in the Director's Report. However, as per Notification dtd. 5th June, 2015 issued by Ministry of Corporate Affairs, Government companies are exempted from complying with provisions of Section 197 of the Companies Act, 2013. Therefore, such particulars have not been included as part of Director's Report.



SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR 2015-16

M/s Grover Ahuja & Associates, Company Secretaries, have conducted the Secretarial Audit of your company for the financial year 2015-16 under section 204 of the Companies Act, 2013. The said Secretarial Audit Report is attached. The replies to the points raised in the Secretarial Auditors Report for the Financial Year 2015-16 are given in as annexure.

EXTRACT OF ANNUAL RETURN FOR THE YEAR 2015-16 PURSUANT TO SECTION 92(3) OF COMPANIES ACT, 2013 (MGT-9)

Pursuant to Section 92(3) of Companies Act, 2013 Extract of Annual Return (in Form-MGT-9) of the Company is annexed.

AUDITORS QUALIFICATIONS AND MANAGEMENT REPLY THERETO

The replies to the points raised in the Statutory Auditors' Report for the Financial Year 2015-16 are given as annexure. The Comments of the Comptroller and Auditor General of India on the Financial Statement for the Financial Year 2015-16 and the replies thereon of the Management are given in the annexure to the Directors' Report.

DIRECTORS & KEY MANAGERIAL PERSONNEL

The Board of Directors of your company has seven (7) members, three Functional Directors (including CMD), two Government Nominee Directors and two independent directors. Shri P.K Purwar continued to be the Director (Fin) of the Company and was given additional charge of CMD on 08.06.2016, Shri Sunil Kumar continued to be the Director (HR&EB) and Shri Sanjeev Kumar has been appointed as Director (Tech) of the Company w.e.f. 02.07.2016 , Shri Amit Yadav & Ms. Tiakala Lynda Yaden has been appointed as the Government Director and Shri Ashok Mittal & Shri Rakesh Nangia has been appointed as Independent Director respectively.

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

1. N. K. Yadav has been appointed as CMD of the Company vide DoT letter dated 08/06/2015 and ceased to be CMD on 08.06.2016.
2. Shri P.K.Purwar has ceased to hold additional charge of CMD w.e.f. 08/06/2015 and was again entrusted with additional charge of CMD w.e.f. 08.06.2016.
3. Shri Sushil Kumar Shingal, Independent Director has ceased to be the Independent Director of the company w.e.f. 10.05.2015.
4. Shri Srikanta Panda has ceased to be Government Nominee Director w.e.f. 13/05/2015.
5. Shri Shashi Ranjan Kumar has ceased to be Government Nominee Director w.e.f 05/03/2015.
6. Shri Amit Yadav has been appointed as Government Director in place of Shri Shashi Ranjan Kumar w.e.f 05.03.2016.
7. Smt Simmi R. Nakra has been appointed as Government Nominee Director in place of Shri Srikanta Panda w.e.f. 13.05.2015 and ceased to be Director w.e.f. 12.04.2016.
8. Shri Ashok Mittal & Shri Rakesh Nangia has been appointed as Independent Director w.e.f. 23/12/2015
9. Ms. Tiakala Lynda Yaden has been appointed as Government Nominee Director in place of Smt Simmi R. Nakra w.e.f 19.05.2016.
10. Shri Sanjeev Kumar has been appointed as Director (Tech) w.e.f. 02.07.2016.



Pursuant to the provisions of Section 203 of the Act, the Key Managerial Personnel of your Company are:-

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

AUDIT COMMITTEE

The details pertaining to composition of Audit Committee are included in the Corporate Governance Report, which forms part of this Report.

AUDITORS

- (1) M/s. V. K. Dhingra & Co., Chartered Accountants and M/s Mehra Goel & Co, Chartered Accountants have been appointed as Joint Statutory Auditors of your Company by the Comptroller and Auditor General of India for the year 2015-16 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 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 alongwith the annexures for the year 2014-15 have been submitted to the Central Government in the Form I-XBRL format on MCA portal on 03/10/2015.
- (3) M/s Grover Ahuja & Associates, Company Secretaries have been appointed as Secretarial Auditors of your company for carrying out Secretarial Audit under section 204 of the Companies Act, 2013 for the Financial Year 2015-16.

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, Internet services and other Value Added services. The Directors are hopeful that the hard work 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)
CMD & DIRECTOR (FIN)

PLACE: NEW DELHI

DATE: 16th August, 2016



ANNEXURE I TO DIRECTORS' REPORT

GROVER AHUJA & ASSOCIATES

Company Secretaries

D-176, Defence Colony, New Delhi-110024

Phone : 011-4163301, 011-46772201-07

FORM NO. MR-3

Secretarial Audit Report

For The Financial Year Ended 31st March, 2016

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]**

To,

The Members,

Mahanagar Telephone Nigam Limited

Mahanagar Doorsanchar Sadan,

5th Floor, 9 CGO Complex,

Lodhi Road, New Delhi-110 003

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Mahanagar Telephone Nigam Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on **31st March, 2016** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **Mahanagar Telephone Nigam Limited** for the financial year ended on **31st March, 2016** according to the provisions of:

- (i). The Companies Act, 2013 and the rules made there under the Act to the extent applicable (hereinafter called the Act).
- (ii). The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under.
- (iii). The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.
- (iv). The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') to the extent applicable:-
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 and the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015(effective from May 15, 2015);
 - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
 - d. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client.



- e. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 (Not Applicable to the Company during the Audit Period); and
 - f. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the Audit Period);
- (v) Other laws applicable to the Company as per representations made by the Company.
- (vi) We have also examined compliance with the applicable clauses of the following:
- a. Secretarial Standards issued by The Institute of Company secretaries of India (effective from July 01, 2015 onwards).
 - b. Listing Agreements entered into by the Company with **National Stock Exchange of India Limited, BSE Limited (Bombay Stock Exchange). The Company has applied for delisting from the Calcutta Stock Exchange Limited, Madras Stock Exchange Limited and Delhi Stock Exchange Limited. The company is also registered at OTCQX.**

During the period under review and as per the explanations and clarifications given to us and the representations made by the management, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

- (i). The company did not have the required percentage of Independent Directors on its Board all through the year under review and for part the year on its Audit Committee and Nomination and Remuneration Committee. Further, the changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act,
- (ii). The details of the familiarization programme for Independent Directors conducted by the Company were not posted on its website.
- (iii). Separate meeting of the Independent Director required to be held under the Listing Agreement/ Regulations was not held during the year.
- (iv). It has been observed that some court cases are pending, however, none of the case relates to Non-compliance of Laws.
- (v). Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent to Directors at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
- (vi). Majority decisions are carried out with the unanimous consent, so therefore dissenting members' views are not required to be captured and recorded as part of the minutes.
- (vii). We further report that there are adequate systems and processes in the Company, commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that based on the information received and records maintained by the Company, there are adequate systems and processes in the Company, commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, and regulations.

For GROVER AHUJA & ASSOCIATES
Company Secretaries

Dr (CS) POONAM AHUJA
FCS No. 4705
C. P. No.: 6586

Date: 5th August, 2016
Place: New Delhi



This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

‘Annexure A’

To,
The Members,
Mahanagar Telephone Nigam Limited

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.

**For GROVER AHUJA & ASSOCIATES
Company Secretaries**

**Dr (CS) POONAM AHUJA
FCS No. 4705
C. P. No.: 6586**

**Date: 5th August, 2016
Place: New Delhi**



ANNEXURE II TO DIRECTORS' REPORT

V.K. SHARMA & CO.

Company Secretaries

422, Ocean Plaza, Sector-18, Noida

Tel. : 0120-4221470, Mobile : 9811009592

E-mail : vks_cosecy@yahoo.com

CERTIFICATE OF COMPLIANCE WITH CORPORATE GOVERNANCE UNDER LISTING AGREEMENT/ REGULATIONS

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 2016 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges for the period 1st April, 2015 to 30th November, 2015 and as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, ('Listing Regulations') as referred to in Regulation 15(2) of the Listing Regulations for the period 1st December, 2015 to 31st March, 2016.
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/ listing regulations except that:-
 - (i) The company did not have the required percentage of Independent directors on its Board all through the year under review and for part of the year on its Audit Committee and Nomination and Remuneration committee
 - (ii) The details of the familiarization programme for independent directors conducted by the company were not posted on its website.
 - (iii) Separate meeting of the Independent director required to be held under the Listing Agreement/ Regulations was not held during the Year.
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

Date: 5th August, 2016
Place: New Delhi

sd/-
(Vijay Sharma)
FCS: 3440
C. P. NO: 2019



REPLY OF MTNL TO QUALIFICATIONS IN SECRETARIAL AUDIT REPORT AND COMPLIANCE CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE (2015-16).

- i) The Company did not have the requisite percentage of independent directors throughout the year on its Board and for part of the year in Board Level Committees.

MTNLReply : All Directors are appointed by the Govt. of India (DOT) and we have been sending reminders to the DOT for approval of more independent directors. After appointment of 2 independent directors, we have reconstituted the Board level committees as per law.

- ii) The details of familiarization program conducted for the independent directors has not been posted on the website.

MTNLReply : The familiarization meeting was held but the same was not minuted and hence was not posted on website. For next meeting, the same will be posted on website.

- iii) Separate meeting of independent directors has not been hold.

MTNLReply : Since the independent director were appointed only in November, 2015, no meeting could be held till 31.03.2016. However, a separate meeting of independent directors shall be held in this financial year.



ANNEXURE IV TO DIRECTORS' REPORT

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March, 2016

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

1. REGISTRATION AND OTHER DETAILS :

- I) **CIN:-** L32101DL1986GOI023501
- II) **REGISTRATION DATE:-** 28th FEBRUARY, 1986
- III) **NAME OF THE COMPANY:-** MAHANAGAR TELEPHONE NIGAM LIMITED
- IV) **CATEGORY/ SUB-CATEGORY OF THE COMPANY:-** GOVERNMENT OF INDIA ENTERPRISES
- V) **ADDRESS OF THE REGISTERED OFFICE AND CONTACTS DETAILS:-**

MAHANAGAR DOORSANCHAR SADAN,
5TH FLOOR, 9, CGO COMPLEX,
LODHI ROAD, NEW DELHI-110003,
Tel:- 011-24319020, Fax 011- 24324243

WHETHER LISTED COMPANY YES / NO:- YES

- VI) **NAME, ADDRESS AND CONTACT DETAILS OF REGISTRAR AND TRANSFER AGENT, IF ANY:-**

M/S BEETAL FINANCIAL AND COMPUTER SERVICES (PVT) LTD. , 3RD FLOOR, BEETAL HOUSE, 99, MADANGIR, BEHIND LOCAL SHOPPING CENTRE, NEAR DADA HARSUKHDAS MANDIR, NEW DELHI-110062, PH:011-29961281-82, FAX:011-29961284

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business contributing 10% or more of the total turnover of the company shall be stated:-

SI . No.	Name and Description of the main products/ services	NIC Code of the Product/services	% to total turnover of the company
1	Telecommunication Service	752	100%



3. PARTICULARS OF HOLDING , SUBSIDIARY AND ASSOCIATE COMPANIES –

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING / SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Mahanagar Telephone Mauritius Limited (MTML) MTML Square, 63, Cyber City, Ebene City, Mauritius	N.A.	Wholly Owned Overseas Subsidiary	100%	2 (87)
2	Millennium Telecom Ltd. (MTL) 15TH Floor Telephone house V S Marg Dadar(W), Mumbai , Maharashtra, 400028	U64200MH2000GOI124302	Wholly Owned Indian Subsidiary	100%	2 (87)
3	United Telecommunications Ltd. (UTL) Triveni Complex, Putali Sadak, Kathmandu.	N.A.	Associate (Joint Venture)	22.0623%	2(6)
4	MTNL STPI IT Services Ltd. (MSITS), Mahanagar Doorsanchar Sadan, 5 th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003	U72901DL2006PLC148310	Associate (Joint Venture)	50%	2(6)

4. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

(I) Category – wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year i.e. 01/04/2015				No. of Shares held at the end of the year i.e. 31/03/2016				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A) Promoters									
(1) Indian									

a) Individual/HUF	0	0	0	0.00	0	0	0	0	
b) Central Govt/ State Govt (s)	354378740	0	354378740	56.25	354378740	0	354378740	56.25	0
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0
d) Banks/FI	0	0	0	0.00	0	0	0	0	0
e) Any Other.....	0	0	0	0.00	0	0	0	0	0
Sub- total (A) (1):-	354378740	0	354378740	56.25	354378740	0	354378740	56.25	0
(2) Foreign									
a) NRIs- Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
c)Bank/FI	0	0	0	0.00	0	0	0	0.00	0.00
d) Any other....	0	0	0	0.00	0	0	0	0.00	0.00
Sub- total(A) (2):-	0	0	0	0.00	0	0	0	0.00	0.00
Total sharehold- ing of Promoter (A)=(A)(1)+(A)(2)	354378740	0	354378740	56.25	354378740	0	354378740	56.25	0.00
B. Public shareholding									
1.Institutions									
a) Mutual Funds	100	3700	3800	0.00	100	3700	3800	0.00	0.00
b) Banks/FI/ Insurance Companies	132000343	2200	132002543	20.95	131888662	2200	131890862	20.94	(0.01)
c) Central Govt./ State Govt.	0	0	0	0.00	3500	0	3500	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Foreign Fin Inst./Banks/ Foreign Portfolio Investors	7803805	0	7803805	1.24	5485817	0	5485817	0.87	(0.37)
g) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
h) Others (specify	0	0	0	0.00	0	0	0	0.00	0.00

Stressed Asset	3500	0	3500	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):-	139807748	5900	139813648	22.19	137378079	5900	137383979	21.81	(0.38)
2. Non Institutions									
a) Bodies Corp. (Indian & Overseas)	27989917	0	27989917	4.44	22433416	0	22433416	3.56	(0.88)
b) Individuals									
(i) Individual Shareholders holding nominal share capital upto ₹ 2 lakh	53778061	68226	53846287	8.55	64419301	66589	64485890	10.24	1.69
ii) Individual share- holders holding nominal share capital in excess of ₹ 2 lakh	35504573	0	35504573	5.64	33969896	0	33969896	5.39	(0.25)
c) Others (Specify)									
Trusts	231140	0	231140	0.04	231565	0	231565	0.04	(0.00)
Foreign Nationals	3500	0	3500	0	0	0	0	0.00	0.0
NRI & Foreign Corporate Bodies	1927301	0	1927301	.30	2003402	0	2003402	0.32	0.02
c-ii) Clearing Members	823372	0	823372	0.13	582761	0	582761	0.09	(0.04)
HUF	5204356	0	5204356	.83	5906337	0	5906337	0.94	0.11
Sub-total (B)(2):-	125462220	568226	125530446	19.94	129546678	66589	129613267	20.57	0.64
Total Public Shareholding (B)=(B)(1)+(B)(2)	265269968	74126	265344094	42.12	266924757	72489	266997246	41.86	(0.26)
C. Shares held by Custodian for GDR&ADRs	10277166	0	10277166	1.63	8624014	0	8624014	1.37	(0.26)
Grand Total (A+B+C)	629925874	74126	630000000	100.0	629957511	72489	630000000	100.00	0.00

(ii) Shareholding of Promoters

SL NO.	Shareholder's Name	Shareholding at the beginning of the year as on 01.04.2015			Shareholding at the end of the year as on 31.03.2016			% change in shareholding during the year
		No. of shares	% of total shares of the company	% of Shares Pledged/ encumbered to total shares	No. of shares	% of total shares of the company	% of Pledged/ encumbered to total shares	
1.	PRESIDENT OF INDIA	354378740	56.25	Nil	354378740	56.25	Nil	Nil
	Total	354378740	56.25	Nil	354378740	56.25	Nil	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

SI. NO.		Shareholding at the Beginning of the year as on 01.04.2015		Cumulative Shareholding during the year as on 2015-16	
		No. of Shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	354378740	56.25	354378740	56.25
	Date wise Increase/ Decrease in Promoters Share holding during the year specifying the reason for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc):	N.A.	—	N.A.	—
	At the end of the year	354378740	56.25	354378740	56.25

There is no change in the total Shareholding of Promoters i.e. President of India between 01.04.2015 and 31.03.2016.

(iv) shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) :

Sl. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year		
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company	
1	PRESIDENT OF INDIA	354378740	56.2506				NO CHANGE DURING THE YEAR	354378740	56.2506
		354378740	56.2506					354378740	56.2506
2	LIC OF INDIA FORTUNE PLUS SECURED FUND	118514713	18.8119				NO CHANGE-DURING THE YEAR	118514713	18.8119
		118514713	18.8119					118514713	18.8119
3	THE BANK OF NEW YORK MELLON	10277166	1.6313	31.03.2015					0
			0	17.07.2015	-5524	Transfer		10271642	1.6304
			0	24.07.2015	-270000	Transfer		10001642	1.5876
			0	07.08.2015	-100376	Transfer		9901266	1.5716
			0	14.08.2015	-490000	Transfer		9411266	1.4939
			0	30.09.2015	-21160	Transfer		9390106	1.4905
			0	09.10.2015	-21092	Transfer		9369014	1.4871
			0	13.11.2015	-20400	Transfer		9348614	1.4839
			0	04.12.2015	-69600	Transfer		9279014	1.4729
			0	18.12.2015	-158000	Transfer		9121014	1.4478
			0	12.02.2016	-481000	Transfer		8640014	1.3714
			0	04.03.2016	-16000	Transfer		8624014	1.3689
		8624014	1.3689	31.03.2016				8624014	1.3689

Sl. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company
4	SHAR EKHAN FINANCIAL SERVICES PVT LTD	9334021	1.4816	31.03.2015				
			0	10.04.2015	5500	Transfer	9339521	1.4825
			0	17.04.2015	5585	Transfer	9345106	1.4834
			0	24.04.2015	-1875	Transfer	9343231	1.4831
			0	01.05.2015	7015	Transfer	9350246	1.4842
			0	08.05.2015	87692	Transfer	9437938	1.4981
			0	15.05.2015	533	Transfer	9438471	1.4982
			0	22.05.2015	1885	Transfer	9440356	1.4985
			0	29.05.2015	2275	Transfer	9442631	1.4988
				05.06.2015	43400	Transfer	9486031	1.5057
			0	12.06.2015	-16917	Transfer	9469114	1.503
			0	19.06.2015	266233	Transfer	9735347	1.5453
			0	26.06.2015	-5238	Transfer	9730109	1.5445
			0	30.06.2016	25	Transfer	9730134	1.5445
			0	03.07.2015	-362375	Transfer	9367759	1.4869
			0	10.07.2015	-1150	Transfer	9366609	1.4868
			0	17.07.2015	-2159	Transfer	9364450	1.4864
			0	24.07.2015	-100	Transfer	9364350	1.4864
			0	30.07.2015	1125	Transfer	9365475	1.4866
			0	07.08.2015	-125	Transfer	9365350	1.4866
			0	14.08.2015	515	Transfer	9365865	1.4866
			0	21.08.2015	150	Transfer	9366015	1.4867
			0	28.08.2015	4635	Transfer	9370650	1.4874
			0	04.09.2015	325	Transfer	9370975	1.4875
			0	18.09.2015	1500	Transfer	9372475	1.4877
			0	25.09.2015	9464	Transfer	9381939	1.4892

Sl. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company
			0	30.09.2015	500	Transfer	9382439	1.4893
			0	09.10.2015	7500	Transfer	9389939	1.4905
			0	16.10.2015	225	Transfer	9390164	1.4905
			0	23.10.2015	-5400060	Transfer	3990104	0.6333
			0	30.10.2015	-225	Transfer	3989879	0.6333
			0	06.11.2015	-3376	Transfer	3986503	0.6328
			0	13.11.2015	-2300	Transfer	3984203	0.6324
			0	20.11.2015	-240	Transfer	3983963	0.6324
			0	27.11.2015	-10650	Transfer	3973313	0.6307
			0	04.12.2015	-745	Transfer	3972568	0.6306
			0	11.12.2015	7100	Transfer	3979668	0.6317
			0	18.12.2015	4680	Transfer	3984348	0.6324
			0	25.12.2015	-255	Transfer	3984093	0.6324
			0	31.12.2015	1575	Transfer	3985668	0.6326
			0	08.01.2016	-2445	Transfer	3983223	0.6323
			0	15.01.2016	-2124	Transfer	3981099	0.6319
			0	22.01.2016	2013222	Transfer	5994321	0.9515
			0	29.01.2016	-3315	Transfer	5991006	0.951
			0	05.02.2016	4632	Transfer	5995638	0.9517
			0	12.02.2016	-400	Transfer	5995238	0.9516
			0	19.02.2016	15322	Transfer	6010560	0.9541
			0	26.02.2016	-1250	Transfer	6009310	0.9539
			0	04.03.2016	601	Transfer	6009911	0.954
			0	11.03.2016	3575	Transfer	6013486	0.9545
			0	18.03.2016	-428	Transfer	6013058	0.9545
			0	25.03.2016	-199	Transfer	6012859	0.9544
			0	31.03.2016	399	Transfer	6013258	0.9545
		6013258	0.9545	31.03.2016			6013258	0.9545

Sl. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company
5.	UNITED INDIA INSURANCE COMPANY LIMITED	3639206	0.5777	31.03.2015			3639206	0.5777
		3639206	0.5777	31.03.2016	NIL MOVEMENT DURING THE YEAR	NO CHANGE-DURING THE YEAR	3639206	0.5777
6.	GENERAL INSURANCE CORPORATION OF INDIA	2891603	0.459	31.03.2015			2891603	0.459
		2891603	0.459	31.03.2016		NO CHANGE-DURING THE YEAR	2891603	0.459
7.	KAVITA R. POPLEY	2083450	0.3307	31.03.2015				0
				24.04.2015	114817	Transfer	2198267	0.3489
				08.05.2015	53723	Transfer	2251990	0.3575
				05.06.2015	149418	Transfer	2401408	0.3812
				12.06.2015	25000	Transfer	2426408	0.3851
				19.06.2015	50855	Transfer	2477263	0.3932
				30.06.2015	11130	Transfer	2488393	0.395
				31.07.2015	50000	Transfer	2538393	0.4029
				21.08.2015	88178	Transfer	2626571	0.4169
				28.08.2015	188792	Transfer	2815363	0.4469
				18.09.2015	35000	Transfer	2850363	0.4524
		2850363	0.4524	31.03.2016			2850363	0.4524

SI. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company
8.	PRAKASH BABALAL SHAH	49900	0.0079	31.03.2015				0
				08.01.2016	2100000	Transfer	2149900	0.3413
		2149900	0.3413	31.03.2016			2149900	0.3413
9.	THE NEW INDIA ASSURANCE COMOANY LIMITED	1994544	0.3166	31.03.2015			1994544	0.3166
		1994544	0.3166	31.03.2016		NIL MOVE- MENT DURING THE YEAR	1994544	0.3166
10.	ELARA INDIA OP-PORTUNITIES FUND LIMITED	1618500	0.2569	31.03.2015			1618500	0.2569
		1618500	0.2569	31.03.2016		NIL MOVE- MENT DURING THE YEAR	1618500	0.2569
11.	PUNJAB NATIONAL BANK	1550000	0.246	31.03.2015			1550000	0.246
		1550000	0.246	31.03.2016		NIL MOVE- MENT DURING THE YEAR	1550000	0.246

Sl. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company
12.	RAMCHAND K. POPLEY	2076484	0.3296	31.03.2015				
			0	10.04.2015	-87490	Transfer	1988994	0.3157
				17.04.2015	-12186	Transfer	1976808	0.3138
				08.05.2015	-35000	Transfer	1941808	0.3082
				12.06.2015	-69013	Transfer	1872795	0.2973
				19.06.2015	-11000	Transfer	1861795	0.2955
				26.06.2015	-105000	Transfer	1756795	0.2789
				30.06.2015	11086	Transfer	1767881	0.2806
				03.07.2015	-35000	Transfer	1732881	0.2751
				10.07.2015	-65000	Transfer	1667881	0.2647
				17.07.2015	-109843	Transfer	1558038	0.2473
				31.07.2015	-48777	Transfer	1509261	0.2396
				07.08.2015	-219261	Transfer	1290000	0.2048
				11.09.2015	-156775	Transfer	1133225	0.1799
				18.09.2015	-30000	Transfer	1103225	0.1751
				09.10.2015	-135000	Transfer	968225	0.1537
				16.10.2015	-120000	Transfer	848225	0.1346
				23.10.2015	-20000	Transfer	828225	0.1315
				30.10.2015	-50000	Transfer	778225	0.1235
				13.11.2015	50000	Transfer	828225	0.1315
				20.11.2015	-125000	Transfer	703225	0.1116
				27.11.2015	-135000	Transfer	568225	0.0902
				04.12.2015	-342000	Transfer	226225	0.0359
				18.12.2015	-55000	Transfer	171225	0.0272
				31.12.2015	-10000	Transfer	161225	0.0256
				08.01.2016	-5000	Transfer	156225	0.0248

Sl. NO.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/ Decrease in share-holding	Reason	No. of shares	% of total shares of the company
				15.01.2016	60000	Transfer	216225	0.0343
				22.01.2016	272401	Transfer	488626	0.0776
				29.01.2016	-155168	Transfer	333458	0.0529
				05.02.2016	-5000	Transfer	328458	0.0521
				04.03.2016	-5000	Transfer	323458	0.0513
		323458	0.0513	31.03.2016			323458	0.0513
13.	MV SCIF MAURITIUS	2062780	0.3274	31.03.2015				
				12.06.2015	-120120	Transfer	1942660	0.3084
				26.06.2015	-45420	Transfer	1897240	0.3011
				30.06.2015	-34144	Transfer	1863096	0.2957
				03.07.2015	-46875	Transfer	1816221	0.2883
				10.07.2015	-34160	Transfer	1782061	0.2829
				31.07.2015	-51312	Transfer	1730749	0.2747
				07.08.2015	-11587	Transfer	1719162	0.2729
				14.08.2015	-119812	Transfer	1599350	0.2539
				21.08.2015	-17115	Transfer	1582235	0.2511
				28.08.2015	-68472	Transfer	1513763	0.2403
				18.09.2015	17049	Transfer	1530812	0.243
				25.09.2015	-1927	Transfer	1528885	0.2427
				30.09.2015	51363	Transfer	1580248	0.2508
				09.10.2015	17118	Transfer	1597366	0.2536
				30.10.2015	34226	Transfer	1631592	0.259
				20.11.2015	-34208	Transfer	1597384	0.2536
				04.12.2015	-68414	Transfer	1528970	0.2427
				11.12.2015	-170695	Transfer	1358275	0.2156

Sl. No.	Name	Shareholding at the beginning of the year					Cumulative Shareholding during the year	
		No. of Shares at the beginning of the year(1.4.15)/ end of the year(31.3.16)	% of total shares of the Company	Date	In-crease/Decrease in share-holding	Reason	No. of shares	% of total shares of the company
				25.12.2015	-48574	Transfer	1309701	0.2079
				31.12.2015	-16498	Transfer	1293203	0.2053
				05.12.2016	14675	Transfer	1307878	0.2076
				25.03.2016	-39567	Transfer	1268311	0.2013
		1268311	0.2013	31.03.2016			1268311	0.2013

(v) Shareholding of Directors and Key Managerial Personnel as on 31st March 2016:

SI No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Shri Narendra Kumar Yadav (Chairman & Managing Director) (ceased to be CMD on 08.06.2016)	NIL		NIL	
2.	Shri P. K. Purwar Dir(Fin) (Appointed as CMD on 08.06.2016)	NIL		NIL	
3.	Shri Sunil Kumar Dir(HR&EB/Tech)	NIL		NIL	
4.	Shri Sunil Kumar Shingal (ceased to be independent director w.e.f.10.05.2015)	NIL		NIL	
5.	Shri Srikanta Panda, Govt. Nominee (Cessation on 13/05/2015)	NIL		NIL	
6.	Smt. Simmi R. Nakra, Govt. Nominee	NIL		NIL	
7.	Shri V. Umashankar, Govt. Nominee(Cessation on 09/11/2015)	NIL		NIL	
8.	Shri Shashi Ranjan Kumar, Govt. Nominee (Cessation on 05/03/2016)	NIL		NIL	
9.	Shri Amit Yadav, Govt. Nominee	NIL		NIL	
10.	Shri Rakesh Nangia, Independent Director	NIL		NIL	
11.	Shri Ashok Mittal. Independent Director	NIL		NIL	
12.	Shri S. R. Sayal, Company Secretary.	NIL		NIL	

V. INDEBTNESS

Indebtness of the Company including interest outstanding/accrues but not due for payment

(in crores)

	Secured Loans excluding deposits (LTL)	Unsecured Loans BOND+ STL+OD	Deposits	Total In- debtness
Indebtness at the beginning of the financial year				
i) Principal Amount	2495.00	14109.40	—	16604.40
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	22.80	174.02	—	196.82
Total (i+ii+iii)	2517.80	14283.42		16801.22
Change in Indebtness during the financial year				
• Addition		1339.61	—	1339.61
• Reduction	5.39	—		5.39
Net Change	5.39	1339.61		1334.22
Indebtness at the end of the financial year				
i) Principal Amount	2495.00	15437.71		17932.71
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	17.41	185.32		202.73
Total (i+ii+iii)	2512.41	15623.03		18135.44

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

Remuneration to Managing Director, Whole – time Directors and/or Manager:

SI No.	Particulars of Remuneration	NAME OF MD/WTD/Manager			Total Amount in Rupees
		Shri N.K.Yadav (CMD from 08.06.2015 to 08.06.2016)	Shri P. K. Purwar, Dir (Fin)	Shri Sunil Kumar, Dir (HR & EB/Tech)	
1.	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income tax Act, 1961	NIL	19,80,185	19,41,951	39,22,136
	(b) Value of perquisites u/s 17(2) Income –tax Act, 1961	-	5,40,388	5,46,917	10,87,305
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961		-	-	
2.	Stock Option	NIL	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL	NIL

SI No.	Particulars of Remuneration	NAME OF MD/WTD/Manager			Total Amount in Rupees
4.	Commission - As % of profit - Others, specify....	NIL	NIL	NIL	NIL
5.	Others , please specify	NIL	NIL	NIL	NIL
	Total (A)	NIL	25,20,573	24,88,868	49,55,345
	Ceiling as per the Act	As per Section 198 of the Companies Act, 2013			

B. REMUNERATION TO OTHER DIRECTORS

SI no.	Particulars of Remuneration	Name of Directors			Total Amount in Rupees
	Independent Directors	Shri Rakesh Nangia	Shri Ashok Mittal	---	
	<ul style="list-style-type: none"> • Fee for attending Board and its committee meetings • Commission • Others, please specify 	20,000 Nil	20,000 Nil	— — —	40,000 Nil
	Total (1)	20,000	20,000		40,000
	4. Other Non-Executive Directors				
	<ul style="list-style-type: none"> • Fee for attending board committee meetings • Commission • Others, please specify 	NIL	NIL	NIL	NIL
	Total (2)	—	—	—	—
	Total (b)=(1+2)	—	—	—	—
	Total Managerial Remuneration (A+B)				5925654
	Overall Ceiling as per the Act	As per Section 198 of the Companies Act, 2013			

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

SI.NO.	Particulars of Remuneration	Key Managerial Personnel		
		CEO	COMPANY SECRETARY	TOTAL Amount in Rupees
		N.A.	Shri S R Sayal	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income – tax Act, 1961	-	14,18,429	14,18,429
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	22,027	22,027
2.	Stock Option	-	-	-

3.	Sweat Equity	-	-	-
4.	Commission - As % of profit - Others, specify	-	-	-
5.	Others, please specify	-	-	-
	Total	-	14,40,456	14,40,456

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES: --- NIL

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/Compounding fees imposed	Authority[RD/NCLT/ COURT]	Appeal made, if any (give details)
A. COMPANY					
Penalty					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Compounding					



ANNEXURE V TO DIRECTORS' REPORT

CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2015-16 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.

The Companies Act, 2013 together with the Companies Rules provide a robust framework for Corporate Governance. MTNL is complying with relevant provision of the Companies Act, 2013 and Rules made there under for good Corporate Governance. The Securities and Exchange Board of India (SEBI), on September 2, 2015, issued SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 [SEBI (LODR) 2015] with the aim to consolidate and streamline the provisions of the Listing Agreement for different segments of capital markets to ensure better enforceability. The said regulations were effective from December 1, 2015. Accordingly, all listed entities were required to enter into a fresh Listing Agreement within six months from the effective date. The Company has entered into the fresh Listing Agreement with BSE Limited and the National Stock Exchange of India Limited on 24.02.2016.

As MTNL is a PSU, it is also complying with the Guidelines on Corporate Governance for Central Public Sector Enterprise (CPSE) issued by the Department of Public Enterprises, Ministry of Heavy Industries, Government of India.

2. BOARD OF DIRECTORS

The Company has a broad based Board with an optimum mix of Executive, Non-Executive and Independent Directors. As on March 31, 2016, the Company had Seven Directors including one Women Director. Out of the Seven Directors, Four (i.e. 57.14%) are Non-executive Directors and Three (i.e. 42.86%) are Executive Directors. The composition of the Board is not in Conformity with Regulations 17 of SEBI (LODR) 2015 read with Section 149 of the Act and DPE Guidelines on Corporate Governance. The Company has requested Administrative Ministry i.e. Department of Telecommunications, Government of India to appoint sufficient number of Independent Directors at the earliest.

Independent Directors are Non-executive Directors as defined under Regulation 16(1) (b) of the SEBI (LODR), 2015 read with Section 149(6) of the Act. The maximum tenure of Independent Directors i.e. three years is in compliance with the Act. All the Independent Directors have confirmed that they meet the criteria as mentioned under Regulation 16(1) (b) of the SEBI (LODR), 2015 read with Section 149(6) of the Act. The Independent Directors are paid an amount of ₹10,000/- towards sitting fees for attending each meeting of the Board or any Committee thereof. The out of pocket expenses such as travel expenses & hotel expenses etc. incurred by Independent Directors for attending such meetings are reimbursed. Govt. Directors are not entitled for any remuneration in the form of sitting fees, etc. The terms and conditions of appointment of the Independent Directors are disclosed on the Website of the Company.

The Board functions as a Full Board. The Board has constituted five mandatory Board level committees under the Companies Act, 2013, SEBI (LODR), 2015 and DPE Guidelines on Corporate Governance for Central Public Sector Enterprise (CPSE) namely Audit Committee, Stakeholders Relationship Committee, Nomination & Remuneration Committee, CSR Committee and Enterprise Risk Management Committee. These Board level Committees mainly consist of Independent/Non-Executive Directors.

(I) THE LIST OF PRESENT DIRECTORS (AS ON 22.08.2016) ALONG WITH THEIR CATEGORY AND THEIR DIRECTORSHIP IN OTHER COMPANIES/MEMBERSHIP IN OTHER COMMITTEES IS GIVEN AS UNDER:

NAME	CATEGORY/ DESIGNATION	DIRECTORSHIP IN OTHER COMPANIES	MEMBERSHIP IN OTHER COMMITTEE
Shri. Pravin Kumar Purwar	CMD & Director (Fin)	1. MTNL STPI IT Services Ltd. – Chairman & Director 2. Mahanagar Telephone Nigam (Mauritius) Ltd. - Chairman & Director 3. United Telecom Ltd. - Director	Chairman & Member –CSR Committee Member - Stakeholders Relationship Committee & Enterprise Risk Management Committee.
Shri Sunil Kumar	Director (HR&EB)	1. MTNL STPI IT Services Ltd. – Director 2. Millenium Telecom Ltd. - Chairman & Director 3. United Telecom Ltd.- Alternate Director	Chairman- Enterprise Risk Management Committee. Member- CSR Committee.
Shri Sanjeev Kumar	Director (Tech)	NIL	NIL
Smt Tiakala Lynda Yaden	Government Nominee Director	NIL	Member-Nomination & Remuneration Committee.
Shri Amit Yadav	Government Nominee Director	NIL	Member- Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee & CSR Committee
Shri Rakesh Nangia	Independent Director	1. Cosmo Ferrites Ltd.- Director 2. Torrence Capital Advisors Pvt.Ltd.-Director 3. The Indo-Canadian Business Chamber- Director 4. True Gainers Network Pvt. Ltd.-Director 5. Nangia Advisors Pvt.Ltd.- Director	Chairman-Audit Committee Member-CSR Committee & Enterprise Risk Management Committee
Shri Ashok Mittal	Independent Director	NIL	Chairman- Stakeholders Relationship Committee & Nomination and Remuneration Committee Member- Audit Committee, CSR Committee & Enterprise Risk Management Committee

(II) ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS DURING THE FINANCIAL YEAR 2015-16 AND IN THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings as per the provisions of the 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 2015-16, the information as mentioned in Schedule II Part A of SEBI (LODR) 2015 has been placed before the Board for its consideration. The Board periodically reviews Compliance Reports of all laws applicable to the Company as well as steps taken by the Company to rectify instances of Non – Compliance. During the year 2015-16, a total of **7 meetings** were held (from 1st April, 2015 to 31st March, 2016) and the gap between two meetings did not exceed one hundred and Twenty days. The necessary quorum was present for all the meetings.

The details of attendance of Directors at Board Meetings held during the Financial Year 2015-16 i.e. 1-4-2015 to 31-3-2016 and in the last AGM are given below:-

Name of the Director	No. of Board Meetings attended	Percentage (%)	Attendance at the Last AGM held on 29th September, 2015	Remarks
Shri N.K.Yadav	4/4	100%	Yes	Appointed as CMD of MTNL w.e.f.08.06.2015 and ceased to be CMD w.e.f. 08.06.2016
Shri P.K. Purwar	7/7	100%	Yes	Ceased to hold additional charge of CMD w.e.f 08/06/2015 and again hold additional charge of CMD w.e.f. 08.06.2016
Shri Sunil Kumar	7/7	100%	Yes	---
Shri Srikanta Panda	0/0	-	N.A	Ceased to be Govt. Director w.e.f. 13.05.2015.
Smt. Simmi Nakra	5/7	71%	No	Appointed as Govt. Director of MTNL w.e.f. 13.05.2015.
Shri V. Umashankar	4/5	80%	No	Ceased to be Govt. Director w.e.f. 09.11.2015
Shri Shashi Ranjan Kumar	2/2	100%	N.A	Appointed as Govt. Director w.e.f. 09.11.2015 & Ceased to be Govt. Director on 05.03.2016.
Shri Sushil Kumar Shingal	0/0	-	N.A	Ceased to be Independent Director w.e.f. 10.05.2015
Shri Rakesh Nangia	1/1	100%	N.A	Appointed as Independent Director on 23.12.2015
Shri Ashok Mittal	1/1	100%	N.A	Appointed as Independent Director on 23.12.2015
Shri Amit Yadav	0/0	-	N.A	Appointed as Govt. Director w.e.f 05.03.2016.

**(III) DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2015-16
(01/04/2015 to 31/03/2016) ARE GIVEN BELOW:-**

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	307	21.05.2015	New Delhi	3/4
2	308	30.05.2015	New Delhi	3/4
3	309	03.06.2015	New Delhi	4/4
4	310	12.06.2015	New Delhi	5/5
5	311	14.08.2015	New Delhi	5/5
6	312	09.11.2015	New Delhi	4/5
7	313	12.02.2016	New Delhi	7/7

(IV) DETAILS OF MEMBERSHIP/CHAIRMANSHIP AND DISCLOSURES OF SHAREHOLDING OF BOARD OF DIRECTORS

None of the Directors on the Board hold Directorships in more than ten public companies. Further none of them is a member of more than ten committees or chairman of more than five committees across all public companies in which he is a Director. Also no directors of MTNL as on 31.03.2016 are holding equity shares of MTNL Necessary disclosures (MBP-I) regarding Committee Positions/Shareholding in public companies including MTNL as on March 31, 2016 have been made by the Directors. None of the Directors are related to each other.

3. AUDIT COMMITTEE

The role and responsibilities of the Audit Committee in accordance with the provisions of the Companies Act 2013 and Regulation 18 of SEBI (LODR) 2015 read with Schedule 11(Part C) of SEBI(LODR), 2015 includes the following:-

- Oversight of the Company's Financial Reporting process and the disclosure of its financial information to ensure that the Financial Statement is correct, sufficient and credible.
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- 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,
- Reviewing, with the management, the annual financial statement and auditor's report thereon before submission to the Board for approval, with particular reference to;
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (c) of sub section 3 of section 134 of the Companies Act, 2013
- Changes, if any, in accounting policies and reasons for the same

- Major accounting entries involving estimates based on the exercise of judgment by management
- Significant adjustments made in the financial statement arising out of audit findings
- Compliance with listing and other legal requirements relating to financial statements
- Disclosure of any related party transactions
- Qualifications in the draft audit report
- Discussion with internal auditors of any significant findings and follow up thereon
- Approval or any subsequent modification of transaction of the company with related parties:
(Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed)
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors
- Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- To review the functioning of the Whistle Blower Mechanism
- 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.
- In term of the Insider Trading Code adopted by the Company, the Committee takes on record status of the compliance of Insider Trading Code at the end of the Financial Year.
- The Audit Committee shall review the information required as per SEBI (LODR) 2015.

As on 30.06.2016 the Audit Committee consists of the following Members:-

- | | | |
|---|---|-------------------|
| 1. Shri Rakesh Nangia, Independent Director | - | Chairman |
| 2. Shri Ashok Mittal, Independent Director | - | Member |
| 3. Shri Amit Yadav, Govt. Director | - | Member |
| 4. Shri P.K. Purwar, CMD & Director (Finance) | - | Permanent Invitee |
| 5. Shri Sultan Ahmed, GM(Fin), C.O. | - | Permanent Invitee |
| 6. Shri S.R. Sayal, Company Secretary | - | Secretary |

(I) ATTENDANCE OF DIRECTORS AT THE AUDIT COMMITTEE MEETINGS DURING THE FINANCIAL YEAR 2015-16.

The Audit Committee held 5 meetings during the Financial Year 2015-16 and the gap between two meetings did not exceed one hundred and twenty days. The necessary quorum was present for all the meetings.

The details of Meeting and Attendance are given below:-

Name of the Director	No. of Audit Committee Meetings attended	Percentage (%)	Remarks
Shri Sushil Kumar Shingal, Chairman & Member	1/1	100%	Ceased to be Chairman and Member w.e.f. 10.05.2015
Shri Sunil Kumar, Member	3/4	75%	Ceased to be Member w.e.f. 23.12.2015

Name of the Director	No. of Audit Committee Meetings attended	Percentage (%)	Remarks
Shri Shashi Ranjan Kumar, Member	2/2	100%	Appointed as Chairman and Member w.e.f. 09.11.2015 & ceased to be Chairman on 23.12.2015. Ceased to be Member w.e.f. 05.03.2016
Smt. Simmi R. Nakra, Member	2/4	50%	Appointed as Member w.e.f. 13.05.2015 & Ceased to be member w.e.f 12.04.2016
Shri Srikanta Panda, Member	1/1	100%	Ceased to be Member w.e.f. 13.05.2015
Shri V. Umashankar, Member	2/3	66.66%	Appointed as Chairman and Member w.e.f. 30.05.2015 & Ceased to be Chairman and Member w.e.f. 09.11.2015
Shri Ashok Mittal	1/1	100%	Appointed as Member w.e.f 23.12.2015.
Shri Rakesh Nangia	1/1	100%	Appointed as Chairman and Member w.e.f. 23.12.2015
Shri Amit Yadav	0/0	N.A	Appointed as Member w.e.f 05.03.2016.

(II) DETAILS OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2015-16 (01/04/2015 to 31/03/2016)

Sl. No.	Meeting No.	Date	Place	No. of Members Attended
1	102	01.05.2015	Mumbai	2/4
2	103	30.05.2015	New Delhi	2/3
3	104	14.08.2015	New Delhi	3/3
4	105	09.11.2015	New Delhi	2/3
5	106	12.02.2016	New Delhi	4/4

4. NOMINATION & REMUNERATION COMMITTEE:

MTNL being a Government Company, the remuneration of its Whole-Time Directors is determined by the President of India, through Deptt. of Telecommunication (DoT). The Part Time Director(s) (Government Nominee) do not get any remuneration from the Company. The Independent Directors are being paid sitting fee of `10,000/- for attending each meeting of the Board or Committee thereof. They are reimbursed the travel expenses & hotel expenses on this account, if any in addition to the sitting fees.

The Nomination & Remuneration Committee of the Company is constituted in line with the provisions of Regulation 19 of SEBI (LODR) 2015 read with Section 178 of the Act.

As on 30.06.2016, the Nomination & Remuneration Committee consists of the following members:-

- 1) Shri Ashok Mittal, Independent Director - Chairman
- 2) Shri Amit Yadav, Govt. Director - Member

- 3) Ms. Tiakala Lynda Yaden, Govt. Director - Member
 4) Shri S.R. Sayal , Company Secretary - Secretary

No meeting of the Nomination & Remuneration Committee was held during the Financial Year 2015-2016.

(I) The details of remuneration paid to the Whole- Time Directors during F.Y. 2015-16 is given below:

Name of the Whole Time Directors	All elements of remuneration package i.e., salary, PF contribution, Pension, gratuity etc	Performance Linked Incentives	Other Benefits (Perquisites)	Total Amount in Rupees
Shri N.K.Yadav, CMD(Appointed on 08.06.2015 & ceased to be CMD on 08.06.2015)	NIL	—	NIL	NIL
Shri P. K. Purwar, CMD & Dir (Fin.)	19,80,185	—	5,40,388	25,20,573
Shri Sunil Kumar, Dir(HR& EB)	19,41,951	—	5,46,917	24,88,868

II) Sitting fees paid to Independent Director

The Independent Directors are being paid sitting fee of ₹ 10,000/- for attending each meeting of the Board or Committee thereof. The fees paid to Independent Directors during the financial year 2015-16 are as under:

SI No	Name of the director	Sitting fees				Total Amount in Rupees
		Board Meetings	Committee Meetings			
			Audit Committee	CSR Committee	Stakeholder Relationship Committee	
1.	Shri Rakesh Nangia	10,000	10,000	-	-	20,000
2.	Shri Ashok Mittal	10,000	10,000	-	-	20,000

(III) Service contracts and severance fee:

The Chairman-cum-Managing Director and other Executive directors are appointed by the President of India, through Administrative Ministry (Department of Telecommunications), Government of India, for a period of five years from the date of taking over charge or till the date of superannuation (presently 60 years of age) or till further order, whichever event occurs the first.

Government Nominee directors representing the Department of Telecommunication (DoT) are appointed by the President of India till further orders, by the Department of Telecommunication (DoT), Government of India. Independent Directors are also appointed by the President of India for a period of three years. The terms and conditions of appointment of Independent Directors are uploaded on the MTNL's Website.

There is no provision for payment of severance fees to directors.

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

Pursuant to Regulation 20 of SEBI (LODR), 2015 read with Section 178 of the Act, 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 redressing of stakeholders complaints like non-receipt of Annual Report, non receipt of Dividend/interest, etc. The Committee also oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investor's services. The Committee held one meeting during the Financial Year 2015-16 i.e on 5th May, 2015.

Letters of Shareholders received through SEBI (SCORES)/Stock Exchange/MCA/Depositories/RTA/Other Statutory Authorities are considered as complaints. The day to day requests receive from shareholders are taken up by M/s Beetal Financial & Computer services (P) Ltd, Registrar and Transfer Agent (RTA) of MTNL directly and are not included in the complaints. During the year 2015-16 only seven complaints were received from the Shareholders directly or through SEBI (SCORES)/Stock Exchange/MCA etc which pertains to matter like non-receipt of dividend, Annual Report and all the seven Complaints have been resolved. RTA/Company has taken various steps to ensure that the Shareholders related matters/issues are given top priority and are resolved within a reasonable period of time. RTA has designated Email id(s) i.e. beetalrta@gmail.com to facilitate the shareholder to register their complaint, if any. The Company has also designated exclusive email id i.e. mtnligrc@bol.net.in/csco@bol.net.in for receiving investor complaints/request if any.

(I) The attendance of said Meeting from 01/04/2015 to 31/03/2016 is given as under:-

NAME OF THE DIRECTORS	NO. OF STAKEHOLDER RELATIONSHIPS COMMITTEE ATTENDED	PERCENT-AGE (%)	REMARKS
Shri Sushil Kumar Shingal	1/1	100%	Ceased to be Chairman and Member w.e.f 10.05.2015
Shri P.K. Purwar, Member	1/1	100%	
Shri Sunil Kumar, Member	1/1	100%	

As on 30.06.2016, Stakeholders Relationship Committee consists of the following members:-

1. Shri Ashok Mittal, Independent Director - Chairman
2. Shri Amit Yadav, Government Director - Member
3. Shri P.K. Purwar, CMD &Dir (Fin) - Member
4. Shri S.R. Sayal, Company Secretary - Secretary

(II) Changes in Composition of Stakeholder Relationship Committee during FY 2015-16:

Shri V.Umashankar, Government Director ceased to be Chairman and Member w.e.f. 09.11.2015.

Smt. Simmi R. Nakra, Government Director ceased to be Member and Shri Sunil Kumar, Director(HR & EB) w.e.f.12.04.2016 and 30.05.2016 respectively.

Shri Ashok Mittal, Independent Director was appointed as Chairman and Member w.e.f. 23.12.2015. Shri Amit Yadav, Government Director was appointed as Member w.e.f. 05.03.2016.

6. CORPORATE SOCIAL RESPONSIBILITY ("CSR") COMMITTEE

CSR Committee of the Company is constituted in line with the provisions of Section 135 of the Act. The Board terms of reference CSR Committee is as follows:



- Formulate and recommend to the Board, a CSR Policy indicating the activities to be undertaken by the Company as specified in Schedule VII of the Act;
- Recommend the amount of expenditure to be incurred on the activities referred as above;
- Monitor the CSR Policy of the Company from time to time;

No Meeting of the CSR Committee was held during the Financial Year 2015-16.

As on 30.06.2016, Corporate Social Responsibility (CSR) Committee consists of the following members:-

- | | | |
|---|---|----------|
| i) Shri P.K. Purwar, CMD & Director (Fin) | - | Chairman |
| ii) Shri Sunil Kumar, Director(HR & EB) | - | Member |
| iii) Shri Rakesh Nangia, Independent Director | - | Member |
| iv) Shri Amit Yadav, Government Director | - | Member |

7. OTHER COMMITTEES

(I) ENTERPRISE RISK MANAGEMENT COMMITTEE OF MTNL

MTNL has already constituted a Committee namely "ENTERPRISE RISK MANAGEMENT COMMITTEE (ERM) OF MTNL" in line with the provisions of Regulation 21 of SEBI (LODR) 2015 for evaluating and presenting the Risk Management report periodically to Board of Directors, which, includes among other aspects, the identification of various risks, analysis of the risk management, risk associated with operational, technological and application systems/processes related to internal controls and remedial and mitigating measures required. The meeting of ERM Committee was held on 30th May, 2016. The ERM Policy is included in Management Discussions and Analysis (MD&A) Report which is placed as Annexure to the Director's Report.

As on 30.06.2016, the Enterprise Risk Management Committee consists of the following Members:-

- | | |
|---|-----------|
| 1. Shri Sunil Kumar, Director(HR & EB) | Chairman |
| 2. Shri P.K.Purwar, CMD & Director(Finance) | Member |
| 3. Shri Ashok Mittal, Independent Director | Member |
| 4. Shri Rakesh Nangia, Independent Director | Member |
| 5. Shri S.R. Sayal, Company Secretary | Secretary |

8. 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.

Tel No. 011- 24317225 e-mail: mtnlcsc@gmail.com.

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

Nature of meeting	Date and Time	Venue
29th Annual General Meeting	29th September,2015, 11:30A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003
28th Annual General Meeting	30th September,2014, 11:30A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003
27th Annual General Meeting	30th September,2013, 11:15A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003

No special Resolution was passed in the 27th AGM. A special resolution was passed in the 28th AGM for issue of Non – Convertible Debentures on private placement basis. Two special resolutions were passed in the 29th AGM- (i) to raise the borrowing powers of the Board from ₹ 15,000 Cr to ₹ 18,000 Cr and (ii) to issue Non – Convertible Debentures on private placement basis. No special resolution was passed through Postal Ballot during the FY 2015-16. None of the business proposed to be transacted in the ensuing Annual General Meeting require passing a special resolution through Postal Ballot. There was no EGM held during the FY 2015-16.

10 DISCLOSURES

- (I) Status Report on Compliance with Corporate Governance Requirement specified in Regulation 17 to 27 and Regulation 46 (2) (b) to (i) of SEBI (LODR), 2015: Following regulations are not being complied by MTNL: i) Regulation 17(1) – Composition of Board: It may be mentioned that all directors are appointed by Government of India through Administrative Ministry. MTNL has requested DoT (Administrative Ministry) to appoint the requisite number of Independent Directors on the Board of MTNL. (ii) Point A to D of Part E of Schedule- II of SEBI (LODR), 2015 regarding Discretionary requirements.
- (II) CEO/CFO Certification - Chairman/CMD and Director (Finance) of the company have given the CEO/CFO certification to the Board for the Financial Year 2015-16.
- (III) Details of Non-Compliance by the Company, penalties, strictures imposed on the Company by the Stock Exchanges or the SEBI or any statutory authorities, on any matter related to capital markets, during the last three years 2013-14, 2014-15 & 2015-16 respectively: **NIL**
- (IV) Policy on Related Party Transactions: The Policy on Related Party Transactions has been approved by the Board and the same may be accessed on the Company's Website at the link: www.mtnl.in/finres.htm
- (V) Whistle Blower Policy: The Company promotes ethical behavior in all its business activities and has put in place a mechanism for reporting illegal or unethical behavior as defined under Regulation 22 of SEBI (LODR), 2015. The Company has a Whistle Blower Policy under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. Employees may also report to the Chairman of the Audit Committee. During the year under review, no employee was denied access to the Audit Committee. The Policy on Whistle Blower may be accessed on the Company's Website at the link: www.mtnl.in/finres.htm
- (VI) Policy on Material Subsidiary: The Audit Committee reviews the consolidated financial statements of the company. The minutes of the Board Meetings along with the report on significant developments of the unlisted subsidiary companies are periodically placed before the Board of Directors of the Company. The Company does not have any material non-listed Indian subsidiary company. The Policy on Material Subsidiary has been approved by the Board and the same may be accessed on the Company's Website at the link: www.mtnl.in/finres.htm
- (VII) Policy for Determining Materiality of an Event or Information: The Policy for determining Materiality of an event or information as defined under Regulation 30 of SEBI (LODR), 2015 has been approved by the Board and the same may be accessed on the Company's Website at the link: www.mtnl.in/finres.htm
- (VIII) Preservation of Documents Required to be Maintained under SEBI (LODR), 2015 & Archival Policy of Information Hosted on the Website of MTNL: The Policy for "Preservation of documents" as prescribed under Regulation 9 of SEBI(LODR),2015 & Archival Policy of information hosted on the Website of MTNL as prescribed under Regulation 30 of SEBI(LODR), 2015 has been approved by the Board and the same may be accessed on the Company's Website at the link: www.mtnl.in/finres.htm
- (IX) Internal Code of Conduct for Prevention of Insider Trading in Dealing with Securities of MTNL: The Board of Directors has adopted the Insider Trading Policy in accordance with the requirements of the SEBI



(Prohibition of Insider Trading) Regulation, 2015. The Insider Trading Policy of the Company lays down guidelines and procedures to be followed, and disclosures to be made while dealing with shares of the Company, as well as the consequences of violation. The policy has been formulated to regulate, monitor and ensure reporting of deals by employees and to maintain the highest ethical standards of dealing in Company Securities.

The Policy for “Internal Code of Conduct for Prevention of Insider Trading in dealing with Securities of MTNL” covering code of practices and procedures for fair disclosure of unpublished price sensitive information and code of conduct for the prevention of insider trading has been approved by the Board and the same may be accessed on the Company’s Website at the link: www.mtnl.in/finres.htm.

- (X) Business Responsibility Report for the FY 2015-16: In order to comply with Regulation 34 (2) of SEBI (LODR), 2015, a Business Responsibility Report (BRR) of MTNL describing the initiatives taken by MTNL from an environmental, social and governance perspective has been prepared and placed as Annexure to Corporate Governance Report.
- (XI) (XI) Reconciliation of Share Capital Audit: M/s V.K. Sharma & CO, Company Secretaries has carried out a Share Capital Audit to reconcile the total admitted equity share capital with the National Securities Depository Limited (“NSDL”) and the National Securities Depository Ltd.(NSDL) (“NSDL”) and the total issued and listed equity share capital. The Audit Report confirms that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL & NSDL.
- (XII) Code of Conduct for Directors, Key Managerial Personnel and Senior Management Personnel: The Board of Directors of MTNL has approved the Code of Conduct for Directors, Key Managerial Personnel and Senior Management Personnel as per Companies Act, 2013 and SEBI (LODR), 2015. The Code is a Comprehensive Code applicable to all the Directors, Key Managerial Personnel 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 on 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”**. The Code may be accessed in the Company’s website www.mtnl.net.in.

Certificate by the CMD regarding Affirmation of Compliance of Code of Conduct of Board of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel.

Pursuant to Regulation 26 (3) and Schedule V (D) of SEBI (LODR) Regulations, 2015, I confirm that all Board Members, Key Managerial Personnel and Senior Management Personnel have affirmed compliance with the “MTNL’s Code of Conduct” for Board Members, Key Managerial Personnel and Senior Management Personnel for the Financial Year 2015-16”.

Sd/-

(N. K. Yadav)

Chairman & Managing Director

PLACE: New Delhi

DATE: 02.06.2016

(XIII) Means of Communication

- a) The quarterly, half yearly and Annual Financial results were published in English and Hindi Newspapers on the prescribed format and are also posted on the Company's website (www.mtnl.net.in).
- b) Business Sustainability Report, Management Discussion & Analysis (MD&A) Report and other important information is circulated to members and is also displayed on the Company's website (www.mtnl.net.in) and is a part of the Company's Annual Report.
- c) Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meeting and is a part of the company's Annual Report.
- d) 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 in order to comply with Regulation 10 of SEBI (LODR), 2015.
- e) BSE Listing Centre: All periodical compliance filings like Shareholding pattern, Corporate Governance Report, media releases, etc are filed electronically on BSE Listing Centre in order to comply with Regulation 10 of SEBI (LODR), 2015.
- 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 Centralized 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 filed electronically in OTCQX through its website www.otciq.com.
- (h) All filing in the Stock Exchanges are also simultaneously uploaded on the website of MTNL i.e www.mtnl.net.in.

(XIV) GENERAL SHAREHOLDER INFORMATION:

- (a) Company Registration Details - The Company is registered with the Registrar of Companies, NCT of Delhi & Haryana on 28.02.1986. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L32101DL1986GOI023501.
- (b) Date and Time of AGM - 30th September, 2016 At 11:30 AM.
- (c) Venue - Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003
- (d) Financial year - 1st April 2015 to 31st March 2016
- (e) Financial Calendar

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2016	30th May , 2016
Submission of Audited Accounts to C&AG of India	June , 2016
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th June 2016	14th September, 2016
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th September 2016	14th December, 2016



Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 31st December 2016	14th February, 2017
Board Meeting for Annual Financial Results and Unaudited Quarterly Financial Results for the Quarter ended on 31st March 2017	Within 30th May, 2017

- (f) Dates of Book Closure - 24th September, 2016 to 30th September, 2016 (Both days inclusive)
- (g) Dividend Payment Date - N.A.
- (h) Listing on Stock Exchanges - The Equity Shares of company are listed at following Stock Exchanges.
- (1) Bombay Stock Exchange Limited, Mumbai Scrip Code 'MAHANGR TELE 108', 25th Floor, P.J. Towers, Dalal Street, Mumbai – 400001.
- (2) The National Stock Exchange of India Limited Scrip Code 'MTNL EQ' Exchange Plaza, Plot no C/1, G – Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051.
- (3) OTCQX International Market Scrip code - 'MTENY'
- (4) Applications for delisting of MTNL's shares from Delhi, Calcutta & Madras Stock Exchanges have been filed with the above mentioned Stock Exchanges on 16 October, 2012. No Confirmation of delisting has been received from them so far.
- (i) Demat ISIN Numbers of Equity Shares of MTNL in CDSL & NSDL - INE 153A01019
- j. Payment of Listing Fees : Annual Listing Fees for the Financial Year 2016-17 has been paid by the company to BSE & NSE.
- k. 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 01/04/2015 is ₹18.10 and NSE as on 01/04/ 2015 is ₹18.20

The Closing Price on BSE as on 31/03/2016 is ₹17.65 and NSE as on 31/03/2016 is ₹17.65

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 2015	22.65	17.75	22.80	17.35
May 2015	19.00	16.90	19.05	16.85
June 2015	17.55	14.60	17.60	14.80
July 2015	21.85	16.10	21.90	16.40
August 2015	22.30	14.45	22.30	14.35
September 2015	16.80	14.50	16.85	14.45
October 2015	19.85	15.65	19.90	15.70



November 2015	22.15	17.20	22.15	17.10
December 2015	24.50	19.70	24.45	19.50
January 2016	23.40	17.30	23.40	17.30
February 2016	19.05	15.35	19.10	15.30
March 2016	17.85	16.60	18.80	16.55

(l) 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- beetalrta@gmail.com

(m) Registrar and Transfer Agents of Debentures/ Bonds of MTNL – M/s Karvy Computershare Pvt. Ltd., Karvy Selenium Tower B, Plot No.31&32, Financial District Gachibowli, Hyderabad-500032 Contact Person: Mr Praveen Chaturvedi, Contact No: 9396959395, 040-67161751; FAX NO: 040-67162222,E-MAIL: praveen.chaturvedi@karvy.com

(n) Debenture Trustee Details- , 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, E-Mail: ajit.joshi@sbicaptrustee.com

(o) 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 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 shares to the Share Transfer Committee comprising of DGM (Budget & 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 Stakeholders Relationship Committee. The Company has obtained the certificate of compliance of the formalities regarding Share Transfer from M/s V.K. Sharma & CO, Company Secretaries as required under Regulation 40(9) of SEBI(LODR), 2015 and filed a copy of the said certificate with the Stock Exchanges, on half-yearly basis.

(p) Information on Distribution of Equity Shareholding as on 31st March, 2016.

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	115293	81.73	16497874	164978740.00	2.6187
5001 TO 10000	11992	8.50	10117936	101179360.00	1.6060
10001 TO 20000	6293	4.46	9853073	98530730.00	1.5640
20001 TO 30000	2268	1.60	5927178	59271780.00	0.9408
30001 TO 40000	1097	0.77	3972114	39721140.00	0.6305
40001 TO 50000	1104	0.78	5278388	52783880.00	0.8378
50001 TO 100000	1598	1.13	12111776	121117760.00	1.9225
100001 and above	1409	0.99	566241661	5662416610.00	89.8796
TOTAL	141054	100.00	630000000	6300000000.00	100.00

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



(q) Dematerialization of shares and liquidity - As on 31st March 2016, 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.

(r) Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund - During the Financial Year 2015-16, the Company has credited ₹ 30,32,137 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 29, 2015 (date of last Annual General Meeting) on the Ministry of Corporate Affairs website.

(s) In accordance with the requirement of Regulation 34 (3) and Schedule V Part F of SEBI Listing Regulations, 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 01.04.2015)		Requests received and Disposed off during 2015-2016		Closing Balance (as on 31.03.2016)	
Cases	Shares	Cases	Shares	Cases	Shares
0	0	0	0	0	0

(t) Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity. As on March 31, 2016, the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

(u) Commodity Price Risk or Foreign Exchange Risk and hedging activities - As MTNL is a Service Provider Company, Commodity Price Risk is not applicable to MTNL.

(v) Plant Locations - The Company has active operations of services in two metro cities i.e. Delhi and Mumbai only.

(w) Investors' correspondence may be addressed to:

Shri S.R. Sayal

Company Secretary and Compliance Officer,

Mahanagar Telephone Nigam Limited,

Mahanagar Doorsanchar Sadan, 5th 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: csco@bol.net.in, mtnlcsco@gmail.com



ANNEXURE VI TO DIRECTORS' REPORT

BUSINESS RESPONSIBILITY REPORT (For F.Y. 2015-2016)

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L32101DL1986GOI023501
2.	Name of the Company	Mahanagar Telephone Nigam Limited
3.	Registered Address	Mahanagar Doorsanchar Sadan, 5 th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003
4.	Website	www.mtnl.net.in
5.	E-mail id	mtnlcsc@gmail.com
6.	Financial Year reported	2015-16
7.	Sector(s) that the Company is engaged in (Industrial activity code-wise)	Telecommunication Service
8.	List three key products/services that the Company manufactures/provides as in balance sheet)	1. Basic Telephony 2. Broadband Services 3. Mobile Services
9.	Total number of locations where business activity is undertaken by the Company:	
	i) Number of International Locations	- NIL. However the Company has a Wholly Owned Subsidiary in Mauritius i.e. MTML and Joint Venture in Nepal i.e. UTL
	ii) Number of National Locations	- 2 (Delhi & Mumbai)
10.	Markets served by the Company- Local/State/National/International	National (Delhi & Mumbai) and International(Mauritius through Its subsidiary and Nepal through its JV as per 9 (i) above.

Section B: Financial Details of the Company

1.	Paid up Capital (INR)	₹ 630 Crores
2.	Total Turnover (INR)	₹ 3979.23 Crores
3.	Total profit after taxes (INR)	₹ 2005.74 Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percent- age of profit after tax (%)	NIL.
5.	List of activities in which expenditure in 4 above been incurred: a. b. c.	Not Applicable

Section C: Other Details

Subsidiaries: The Company has following two Subsidiary Companies as on 31.3.2016:-

1. Mahanagar Telephone (Mauritius) Ltd.(Wholly Owned Subsidiary)
2. Millenium Telecom Ltd.(Wholly owned subsidiary)

The Business Responsibility Initiatives of the parent company are applicable to the subsidiary companies also. However, none of the entities that the company does business with participate in the BR initiatives of the Company.

Section D: BR Information

1. Individual Directors responsible for implementation of the BR Policy/Policies

Principle No.	Description	Policy/Policies	Director(s) Responsible
Principle 1(P1)	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability	1. Code of Conduct for Directors & Senior Managerial Personnel and KMPs. 2.CDA Rules 3.Whistle Blower Policy 4.Insider Trading Policy 5.CVC Guidelines	All Directors & Chief Vigilance Officer
Principle 2(P2)	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.	1.TRAI 2.Regulation and Licensing conditions issued by the Department of Telecommunications 3.Indian Telegraph Act	All Functional Directors
Principle 3(P3)	Business should promote the well being of all the employees	1.MTNL Conduct & Disciplinary Rules 2.Human Resources Policies 3.DPE Guidelines on HR issues 4. Guidelines issued by DOPT	Director(HR & EB) and CMD
Principle 4(P4)	Businesses should respect the interests of, and be responsive towards all the stakeholders, especially those who are disadvantaged, vulnerable and marginalized.	1.CSR Policy 2.HR Policies 3. TRAI Guidelines 4. DoT's Policies 5. Indian Telegraph Act	All Functional Directors
Principle 5(P5)	Business should respect and promote human rights	HR Policies for Employees, DoT's Policies, TRAI Guidelines	Director (HR & EB)
Principle 6(P6)	Business should respect, protect and make efforts to restore the environment	TRAI/DoT Guidelines. Indian Telegraph Act. Pollution Control Laws	All Functional Directors

Principle 7(P7)	Business, when engaged in influencing public and regulatory policy should do so in a responsible manner.	Code of Conduct(for Board Members & Senior Management Personnel) All applicable laws Corporate Governance Code	All Directors
Principle 8(P8)	Business should promote inclusive growth and equitable development	Corporate Governance Code CSR Policy	All Directors
Principle 9(P9)	Business should engage with and provide value to their customers and consumers in a responsible manner	Indian Telegraph Act TRAI Guidelines DoT's Policies All applicable Laws	All Directors

2. Details of Director/Directors responsible for BR as a whole

(a) Details of the Director/Directors responsible for implementation of the BR policy/policies:

- (a)
- | | |
|------------------|---|
| 1. DIN Number | 06619060 |
| 2. Name | Pravin Kumar Purwar |
| 3. Designation | CMD & Director(Fin) |
| 4. Telephone No. | 011-2432-1095/ 24329020
Fax:011-2432-8361 |
| 5. E-mail ID | dirfinco@bol.net.in , cmd@bol.net.in |
- (b)
- | | |
|------------------|--|
| 1. DIN Number | 06628803 |
| 2. Name | Sunil Kumar |
| 3. Designation | Director(HR/ EB & Tech) |
| 4. Telephone No. | 011-2431-5931
Fax:011-2431-5646 |
| 5. E-mail ID | dirhr@bol.net.in |

(b) **Details of the BR head**
Same as above

3. Principle-wise (as per NVGs) PR Policy/policies

(A)	Question	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for the Principle?	Y	Y	Y	Y	Y	Y	Y	Y	Y
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	Y	N	N
3.	Does the policy conform to any national/international standards? If yes specify? (50 words)	Y	Y	Y	Y	N	Y	Y	Y	N
4.1	Has the policy being approved by the Board	Y	Y	Y	Y	N	N	Y	Y	N
4.2	Is yes, has it been signed by MD/owner/CEO/appropriate Board Director?	Y	Y	Y	Y	N	N	Y	Y	N

5	Does the company have a specified committee of the Board/Director/Official to oversee the implementation of the policy?	Y	Y	Y	Y	N	N	Y	Y	Y
6.	Indicate the link for the policy to be viewed online?	mtnl.net.in	mtnl.net.in	mtnl.net.in	mtnl.net.in	mtnl.net.in	mtnl.net.in	mtnl.net.in	mtnl.net.in	mtnl.net.in
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	N	N	Y	Y	N
8.	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	N	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	N	N	Y	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	N	N	N	N	N	N	N	N

i) Web links for the Policies

Code of Conduct	-	www.mtnl.net.in
Whistle Blower Policy	-	www.mtnl.net.in
Citizen Charter	-	www.mtnl.net.in
CVC Guidelines	-	http://mtnl.net.in/vig.htm
CSR Policy	-	http://mtnl.in/csr_2014.pdf
Insider Trading Policy	-	http://mtnl.in/finres.htm

(B) If answer at S.No.1 against any principle, is 'No' please explain why :

4. Governance related to BR

i.	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year.	Within 3 Months
ii.	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	No

Section E: Principle-wise performance

Principle 1: *Businesses should conduct and govern themselves with Ethics, Transparency and Accountability*

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/ No.

Yes. The ethical conduct of the Company is reflected in the various policy initiatives. While the Employees Conduct, Discipline & Appeal Rules (CDA Rules) cover the employees at all levels in the organization. In addition, to promote ethical business, Policies like Code of Conduct, Integrity Pact, Whistle Blower Policy, Insider Trading Code and Citizen Charter have also been put into operation.

Additionally, the Company has a Vigilance Department headed by Chief Vigilance Officer (CVO), who is a



nominee of the Central Vigilance Commission. The Vigilance Department submits its reports to Competent Authority including the Board of Directors. The CVO also reports to the Central Vigilance Commission as per their norms.

2. Does it extend to the Group/Joint Ventures/ Suppliers/ Contractors/NGOs/Others?

Yes, the Integrity Pact, Citizen Charter covers/extends to suppliers; customers etc. while the Code of Conduct, Insider Trading Code & Whistle Blower Policy covers only directors and Senior Management of the company.

3. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

Ethics Complaints				Bribery & Corruption Complaints			
Total Complaints Received	No. of Complaints Resolved	No. of Complaints Pending	% of Complaints Resolved	Total Complaints Received	No. of Complaints Resolved	No. of Complaints Pending	% of Complaints Resolved
104	92	12	88.46	56	51	5	91.07

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

As MTNL provides Telecommunication Services, our Wireless Services (WS) complies with relevant guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, Gol and TRAI:

a) Whether MTNL is complying with relevant guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, Gol and TRAI? Is there any Policy framed by MTNL in this regard.

MTNL is complying with relevant Guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, Gol and TRAI. Yes, a Policy has been framed by MTNL in this regard.

a) Steps taken for reduction of energy consumption and safeguarding environment.

i) Identifying the faulty Power Plant and replacing the same systematically and using the Engine Alternator to the barest minimum.

ii) 1 MSC(CDMA), 2 BSCs of CDMA (Vashi & Mankhurd) and one BSC of GSM(Vashi) were closed by rearrangement process. Also, the BSCs of GSM(Fountain & Prabhadevi) were deloaded by 60% through proper rearrangement. These activities resulted in substantial reduction of energy consumption.

iii) In RF network, free cooling was done in 10 BTS Shelters and thus saved energy consumption.

iv) During slack hours and areas where positions are vacant, unused cabins and training centre rooms, the AC and lights are kept switched off. When temperature of Call centre comes down due to continuous cooling some of the AC units are kept switched off.

v) Free cooling systems are deployed at BTS sites to minimize the energy requirements on account of ACs.

Principle 3: Business should promote the well being of all the employees

1. Please indicate the Total number of employees: 31070 (as on 31.03.2016)

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis: 1931

3. Please indicate the Number of permanent women employees: 7267

4. **Please indicate the Number of permanent employees with disabilities:** 145
5. **Do you have an employee association that is recognized by management:** No
6. **What percentage of your permanent employees is members of this recognized employee association?** Not Applicable
7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

S.No	Category filed during the financial year	No. of complaints pending as on end of the financial year	No. of complaints
1.	Child labour/forced labour/ involuntary labour	NIL	NIL
2.	Sexual harassment	NIL	03
3.	Discriminatory employment	NIL	NIL

8. **What percentage of your under mentioned employees were given safety & skill upgradation training in the last year?**
 - ◆ Permanent Employees: 20.91%
 - ◆ Permanent women Employees: 4.4%
 - ◆ Casual/Temporary/Contractual Employees: N.A.
 - ◆ Employees with Disabilities: N.A.

Principle 4: *Businesses should respect the interests of, and be responsive towards all the stakeholders, especially those who are disadvantaged, vulnerable and marginalized.*

1. **Has the Company mapped its internal and external stakeholders? Yes/No**
 Yes. Over the years of its existence, the organization has identified & engaged with a varied group of stakeholders- both internal like employees, shareholders & external such as customers, communities, Business Partners (Suppliers & Venders), Industry Association etc.
2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalized Stakeholders?**
 No Corporate Social Responsibility (CSR) funds has been allocated/spent for CSR activities during the Financial Year as the requirement for allocation of funds for CSR activities under section 135 of the Companies Act, 2013 is not applicable as the average profit during the three immediately preceding years is NIL (The Company is suffering losses).
3. **Are there any special initiatives taken by the company to engage with the disadvantages, vulnerable and marginalized stakeholders. If so, provide details therefore, in about 50 words or so.**
 Not Applicable.

Principle 5: *Business should respect and promote human rights*

1. **Does the policy of the company on human rights cover only the company or extend to the Group/ Joint Ventures/Suppliers/Contractors/NGOs/others?**
 MTNL owes allegiance to the Constitution of India, which resolves to secure to all its citizens justice, liberty, equality and fraternity and which also encompasses the fundamental human rights as envisaged in the Universal Declaration of Human Rights. MTNL stands committed to support and respect the protection of internationally proclaimed human rights at its work places and in dealing with customers, suppliers, customers, venders etc.

2. **How many stakeholders' complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

Already given in Business Responsibility Report

Principle 6: Business should respect, protect and make efforts to restore the environment

1. **Does the policy related to Principle 6 cover only the company or extends to the Group/ Joint Ventures/Suppliers/Contractors/NGOs/others.**

The Company is following the Policy framed in this regard.

2. **Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

MTNL is complying with relevant Environmental Laws and Guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, Gol and TRAI. No initiative to address the global environmental issues.

3. **Does the company identify and assess potential environmental risks? Y/N**

Yes, MTNL Wireless Services (WS) has taken initiatives to comply with relevant Guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, Gol and TRAI.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?**

No, the company does not have any project related to Clean Development Mechanism.

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

The Company has taken initiative on energy efficiency. The detail reply is given in Principle 2 (1) (b).

6. **Are the Emissions/Wastes generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

MTNL is complying with relevant Guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, Gol and TRAI. The Emissions/ Wastes generated is within the permissible limits given by the Pollution Control Board during the Financial Year 2015-16.

7. **Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on the end of Financial Year.**

NIL

Principle 7: Business, when engaged in influencing public and regulatory policy should do so in a responsible manner.

1. **Is your company a member of any trade and chamber or association? If yes, Name only those major ones that your business deals with:**

- i) SCOPE
- ii) FICCI
- iii) DMA
- iv) GSM Association

2. **Have you advocated/lobbied through above association for the advancement or improvement of public good? Yes/No; if yes specify the broad areas(drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy Security, Water, Food Security, Sustainable Business Principles, Others)**

No

Principle 8: *Business should promote inclusive growth and equitable development*

1. **Does the Company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

No Corporate Social Responsibility (CSR) fund has been allocated/spent for CSR activities during the Financial Year as the requirement for allocation of funds for CSR activities under section 135 of the Companies Act, 2013 is not applicable because the Company is incurring losses during the three immediately preceding years. The CSR Policy is available on the website of the company www.mtnl.net.in. MTNL is contributing to CSR activities in non- mandatory ways.

2. **Are the programmes/projects undertaken through in house team /own foundation/external NGO/ government structures/any other organization?**

Not applicable.

3. **Have you done any impact assessment of your initiative?**

Not applicable since MTNL is not doing any CSR activity where funds are involved, because of losses in the company.

4. **What is your company's direct contribution to community development projects-Amount in INR and the details of the projects undertaken?**

Not applicable since MTNL is a loss making company and is not undertaking any CSR activity involving funds/ money.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Not applicable.

Principle 9: *Business should engage with and provide value to their customers and consumers in a responsible manner*

1. **What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

All complaints are resolved within the time frame laid down by TRAI. Percentage of pending complaints with total annual complaints received (GSM call centre) on 31.03.2016 was 0.014017%.

2. **Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A./Remarks(additional information)**

As far as MTNL is concerned customer is being well informed at the time of issue of Customer Application Form (CAF) about the various plans. This is also being done through pamphlet/brochures/ website of the Company. However there is a need to further strengthen customer interface/ FRS system for proper and prompt handing of customer complaint. Network of MTNL is also required to be strengthened to further improve the quality of service.

3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on the end of financial year? If so, provide details thereof, in about 50 words or so.**

NO

4. **Did your company carry out any consumer survey/consumer satisfaction trends?**

No such survey has been carried out during 2015-16.



ANNEXURE VII TO DIRECTORS' REPORT

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

(ENTERPRISE RISK MANGEMENT POLICY OF MTNL) FOR THE F.Y. 2015-16.

INTRODUCTION:

MTNL was incorporated as Public Sector Undertaking in the year 1986 with an Authorized share capital of Rs 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 risks are faced by MTNL in the current competitive telecom scenario for the F.Y. 2015-16:-

Following major risk are faced by MTNL in the current competitive telecom scenario for the F.Y. 2015-16:-

1. MARKET/COMPETITION RISK:

The market for MTNL is limited to Mumbai and Delhi. Many other Private operators are currently competing with us in these markets for basic as well as cellular services. Many of these companies already have significant market share and latest state of the art telecommunications infrastructure in Delhi and Mumbai through which they offer a lot of low-cost CDMA, mobile and fixed wireless telephony services as well as 4G services. Besides, MTNL has already lost some of its valuable subscribers on introduction of Mobile Number Portability (MNP), implemented in January 2011. Therefore the subscriber base of MTNL has reduced over the period of last 4-5 years in mobile segment. However the constant risk of MNP of subscribers looms large on the industry and on MTNL specifically and this risk is more due to non up gradation of GSM assets resulting in to service efficacy problems leading to out porting to others.

We experience very significant and growing competition in the market for GSM cellular and Internet services. Many of these service providers enjoy significant penetration in these markets, have established brand names and have more experience operating a cellular network in view of their presence in many markets in the world.

Increased competition will likely to continue to keep downward pressure on prices and has required and will likely to continue to require us for increasing our capital investment to improve and expand our services and to keep abreast of technological changes in mobile services, which requires mobilizing and arranging funds for CAPEX. The pressure to maintain & improve the systems through constant infusion of OPEX will also grow upwards in view of obsolescence of certain systems. Further, the restriction on our ability to provide telecom services through access license outside of the Mumbai and Delhi inhibit us in competing with companies with a Pan-India presence. These developments, in turn, have/ had and may continue to have a negative impact on our productivity, outreach and thereby our revenue and competitiveness.

Further, the introduction of 4G services by various competitors will put additional constraints on MTNL revenue due to increased competition to Fixed wire line broadband and possibility of porting out of premium GSM customers since MTNL is providing only 2G/3G services.

Telecommunication tariffs in India have declined significantly in recent years due to cut throat competition in the market. The decline in tariffs and downward trend in the traffic volume growth and the change in the calling pattern from fixed line usage to Mobile usage has also materially and adversely affected our revenues as our strength is predominantly in basic services and thereby the net income is affected and it continues to be a business threat.

As the prices for our communications services decrease, then unless we are able to increase volume or offer additional services from which we can derive additional revenues or otherwise reduce our operating expenses, our operating results will decline and our business and financial results will suffer.



While competition in the telecommunications market is becoming stronger, increase in the purchasing power of consumers, and consumers having more choices became a serious challenge. This will force prices to go down and will lead to a price war between companies, influencing both the quality and revenue yield of services rendered. In the telecommunications industry, customer service and his loyalty are very important factors. MTNL should focus more on customer service and product differentiation as an effective way to compete in the market. Telecommunications market, customer service offers more opportunities than other strategies, for an operator, to differentiate from its competitors.

MTNL can proactively present the transparent billing mechanism, accessibility to customers for grievance redressal beyond call centre, service specific programs for different target groups, rapid response and meeting the requirements to subscribers as its strong point. Lack of a customer service could result in churn of subscribers to other operators, who may have a better brand value.

The greater the customer loyalty to a mobile operator, the harder it is to churn by another operator. In other words, when a customer is satisfied with the existing operator, the consumer is less willing to change service provider. In this competitive era there is a strong need for direct communication with the customers for which well trained and equipped human resources are required.

Therefore, MTNL needs to maintain good reputation, brand value, communication with its subscribers, and good customer service. Importance should be given to the customer's care including big companies, to generate more revenue, Door to door marketing, Melas, Corporate Meets etc. are best marketing strategy and the company should focus for increasing the subscriber base in this competitive market. This all requires well trained and equipped human resources whereas MTNL has huge legacy staff recruited way back in the era of POTS and reorienting them is a big task and involves investment in trainings etc. Besides, the working culture inherited by staff from monopolistic regime needs to be got shrugged off by reinventing the H R policies and proper training.

2. POLICY AND REGULATION RISK AND REGULATORY COMPLIANCE:

The Indian government regulates our business through licensing of services and service areas, and the regulator (TRAI) through price tariffs on some of services. The license for fixed-line services is valid until March 31, 2023 and for cellular services is valid until 05-04-2019. As per the present Govt. policy MTNL may be required to pay one time spectrum charges for the spectrum held beyond 4.4 MHz w.e.f 01.07.2008 till expiry of CMTS license i.e. 05-04-2019. MTNL was holding 8 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 Rs 1718 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 05.04.2019. 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 another 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) spectrum for both Delhi and Mumbai from 06.04.2019 to 05.04.2039. DOT retains the right to revoke our licenses after giving one month's notice to us. The DOT also retains the right, after giving notice to us, to modify the terms and conditions of our licenses at any time including the related tariffs and fees, and to permit additional licenses or bidding, if it believed it is necessary or



expedient to do so in the interest of the general public or for the proper operation of the telecommunications sector. A revocation of any license or a change in significant terms of any license, such as its duration, the amount of license fee payable, the range of services permitted and the scope of exclusivity could limit our ability to operate particular lines of our business or result in increased costs in the form of increased license fees or costs associated with applying for new licenses, or contesting limitations on our licenses and would have a material adverse effect on the Company's business, financial condition and results of operations as well.

MTNL has adjusted the License fee of ₹490.86 crores payable from 4th Quarter, 2013-14 to 4th Quarter, 2015-16 and similarly the spectrum charges of ₹ 90.94 crores payable from 1st Quarter of F.Y. 2014-15 to 4th Quarter 2015-16 from the excess amount paid by MTNL on account of pensionary benefits in respect of Combined service pension optees based on the cabinet decision of Govt. of India on 09.01.14. However the DOT is challenging the adjustment since beginning. The matter was also placed before the Board of MTNL in 301st meeting of the Board at item no.14/301 on 09.10.2014 and the board while noting the adjustment is as per Cabinet decision also desired that management has to follow up with the Government for implementation of Cabinet decision. In such situation the remote chances of coercive action such as levy of penalty and interest cannot be ruled out and will remain a threat for the company includes forcing MTNL to pay the above amounts with interest and penalty.

Due to regulations on "tariff on leased circuit (DLCs)"- in which Telecom regulator TRAI reduced ceiling tariffs of domestic leased circuits, called as DLC which are mainly used by business houses and telecom operators, by up to 60 per cent, with 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) having affected the revenues on DLCs provided by MTNL. Further the regulations on termination charges and also on roaming charges in the past year also have significant impact on the revenues although the expenditure on "roaming charges payable" to BSNL has come down. And the combined annual effect of all these regulations mentioned above including those on port charges and abrogation of incoming call termination charges is reduction of revenue around ₹76.32 crores per annum and such impacts due to regulations of TRAI have been a constant risk on the rate of return of CAPEX.

Besides TRAI regulations, The new Companies Act 2013 and SEBI's Listing Obligation & disclosure requirement-2015 (LODR) make the compliance very cumbersome and strict, which also increase the compliance cost of the company and risk of imposing heavy penalties as well as risk of debarring from the exchanges for non-compliance or delay in compliance which needs to be taken care of by proper training to the work force of MTNL to gear up fully for compliance requirements and meeting out the same effectively.

As long as the Indian government's shareholding in MTNL equals or exceeds 51%, MTNL will deemed to be an Indian government company subject to laws and regulations applicable to all public sector enterprises in India. These laws and regulations govern, among other things, personnel matters, procurement, budgeting and capital expenditures and the generation of funds through the issuance of securities.

Under our articles of association, the President of India, on behalf of the Indian government, may also issue directives with respect to the conduct of our business and affairs, and certain matters with respect to our business, including the appointment and remuneration of our Chairman-and-Managing Director and the declaration of dividends. None of our shareholders, management or board of directors may take action in respect of any matter reserved for the President of India without his approval. Government formalities, including requirements that many of our purchases be made through a competitive bidding process, often



cause delays in our equipment and product procurement; these delays can place us at a disadvantage vis-a-vis the private sector competitors and also erode operational competitiveness resulting in to erosion of clientele strength for want of service standards on the same footing of private operators.

Since MTNL being in Telecom business as well as being a listed Company is subject to strict licensing conditions, regulatory norms, tax, economic and labour enactments and concomitant compliance risks are also inevitable. The costs of non-compliance range from huge penalties to cancellation of licenses. Further mandatory implementation of Ind AS and Internal controls on financial reporting w.e.f 2015-16 also increased the compliance cost of the company and added to its administrative cost.

TRAI being a Regulatory Authority for telecom operators imposes various conditions in connection with provision of service, quality of service and tariff policy. There are regulars checks through various reports as well TRAI metering & billing audit audits and there are huge penalties for non compliances.

Although MTNL is meeting most of TRAI QoS parameters, however network needs immediate up-gradation / expansion. The Capex is continuously declining over the period. Investment of ₹ 2000-2500 Cr. required over next 2-3 years for up-gradation and expansion. However being in a debt trap of ₹17,933 Cr as on 31.03.2016 (includes ₹4533.97 Crore of the Bonds, the liability for interest and principle of which are with Govt of India), it is a great threat for the company to meet the Capex as well as Opex requirement. Hence MTNL should take necessary steps to meet the quality of service parameters.

3. Technology Risk/Quality of Service:

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 should always be ensured that the technology is well proven in telecom field. Whenever a new technological development is to be taken place, proper evaluation of the situation / market condition should to carried out.

3.1 : "MTNL's 2G / 3G network in Delhi & Mumbai are quite old. With the passage of time new technologies are introduced in the market by the manufacturers / operators to meet the customer aspirations and demand. Accordingly, the maintenance supports for legacy / old equipments posses a big challenge for any operator. MTNL is also facing difficulty in getting maintenance support from various manufacturers of 2G/3G network equipments.

In MTNL Mumbai the IN & packet core are running without AMC as vendors have refused to continue the maintenance support due to end of life of equipments. Further, the STP in Mumbai network is also running without AMC since 2012 due to vendor refusal. Similarly in Delhi, MSC / GMSC / MGW / GMGW / IN / Packet core (SGSN, GGSN, CGW, BGW, and Firewall etc)/HLR / RNC have been declared end of life by the OEM and hence is not in a position to continue the maintenance support. Further, various other equipments like STP / SMSC / MCA / Power plant (Core location) / BSC / PCU / XCDR / Microwave / BTS & power plant etc are also running without AMC in Delhi due to no support from their respective OEMs. Further, the VAS equipment vendors are also one by one withdrawing their supports from Delhi & Mumbai networks. In addition to 2G /3G networks, the DWDM equipment vendor has also withdrawn its support and NGCN/MPLS servers & routers are also running without any support from their respective OEMs.

This poses a big challenge for MTNL to run the networks without any maintenance support from the equipment manufacturers and may lead to an embarrassing situation for MTNL in near future if any major breakdown of these equipments occur”

3.2 : Following immediate technological Up-gradation/Expansion for improvement of service and keep the QoS intact:

- (i) **Expansion / up-gradation of MW backhaul** : Further, to handle the enhanced data speed of proposed HSPA+ enabled network, the microwave backhaul has been planned to be augmented / expanded through deployment of around 3632 numbers (including replacement of existing PDH & SDH hops in Delhi & Mumbai) of Hybrid Microwave (TDM +IP) systems of 200 Mbps airlink capacity (software upgradable to 400 Mbps). Considering data rate enhancements and to be ready for offering higher data throughputs and enhanced QoS in near future (through deployment of High data rates offering technologies, if possible), MTNL is also working on providing media connectivity to BTS/Node-Bs on OFC in Delhi & Mumbai. This will subsequently reduce the MW backhaul requirement of MTNL.
- (ii) **Intra Circle Roaming / Spectrum Sharing / agreement with VNO** : To offer enhanced QoS to its esteemed customers with existing infrastructure, MTNL has planned to enter into Intra Circle roaming agreement with private TSPs in Delhi & Mumbai for 2G services. However, due to legacy equipments and no support from the equipment vendor, MTNL is facing difficulty in implementing it. Further, to monetize the spectrum holdings of MTNL, it has been planned to share 3G/2100 MHz spectrum of MTNL in Delhi & Mumbai with interested TSPs. However, due to legacy equipment at the end of their life / non support from OEM / Capex involvement in building common RAN etc, the same is pending. Further, recently, the telecom commission has approved the Virtual Network operators (VNO) license in Telecom. With the announcement of broad guidelines for the same by Govt & inception of some VNO licensees, MTNL will explore the possibility of entering into agreement with interested VNOs for various services. This can be a good source of revenue for MTNL.
- (iii) **Synergy with BSNL**: Considering very low market share of MTNL in mobile services, declared end of life of various equipments by respective OEMs & financial crisis being faced, MTNL is working on a plan to operate its mobile service business in Delhi & Mumbai in partnership with BSNL on revenue share model; wherein BSNL can invest in infrastructure and run MTNL’s mobile business on revenue share model. Further, considering recent TRAI regulation on call drop requiring upgradation of IN & billing systems of mobile network which have been declared end of life by their OEMs, MTNL has requested DoT to allow utilization of BSNL’s core & billing system in general & IN for parenting the mobile networks of MTNL Delhi & Mumbai with the respective BSNL zone, considering Delhi & Mumbai as two circles of BSNL. In addition, MTNL is also working on integration of Landline & Broadband billing systems with BSNL billing systems.
- (iv) **3G Network Up-gradation**: The existing HSDPA 3G network supporting D/L speed of 3.6 Mbps & U/L speed of 384 Kbps needs upgradation to support HSPA+ with D/L speed of 21.1 Mbps & U/L speed of 5.76 Mbps per sector in each Node-B.
- (v) **Expansion of GSM / 3G RF network**: The network coverage will be improved by adding 1080 Node-Bs & 800 BTSs in Delhi and 1080 Node-Bs & 566 BTSs in Mumbai. The packet core capacity (Data handling capacity of network) will be upgraded from existing capacity of 400 Mbps (Delhi) and \1.8 Gbps (Mumbai) to 10 Gbps in both cities.



- (vi) Service Delivery:* By Deployment / Up gradation of existing Billing & CRM Platform & IT infrastructure.
- (vii) Up-gradation of Access Networks :* Continuous process and order for PIJF cables for the current year as phase- I has been issued.
- (viii) Migration of legacy TDM network to IMS:* MTNL has roped in C-DOT to help it in migration of its obsolete legacy TDM networks to all IP based converged network(s). Successful field trial of C-DOT's IMS complied NGN switches has successfully completed and voice to MTNL's FTTH subscribers, certain Fixed IN and centrex services are being provided through this switch. Trial commercial migration of one the existing TDM switch of 10-20K capacity each in Delhi and Mumbai has been identified.
- (ix) Extending reach of FTTH and taking fiber to the HUB / near to the subscriber :* MTNL plans to increase 45 POP locations in Delhi and 56 in Mumbai on its' deployed state of art NGCN (IP/MPLS) Network to 400-500 PoP in next 2-3 years to reduce subscriber copper loop length to 1-2 Kms. Further to increase FTTH reach, certain societies & housing complexes in Delhi & Mumbai has already been identified for this purpose.
- (x) Investment of ₹ 2000-2500 Cr. required over next 2-3 years for above up-gradation and expansion. However being in a debts trap of ₹ 17,933 Cr as on 31.03.2016, it is a great threat for the company to meet the Capex requirement.*

As far as MTNL is concerned customer is being well informed at the time of issue of CAF about the various plans through pamphlet/brochures. However there is a need to further strengthen customer interface/ FRS system for proper and prompt handing of customer complaint. Network of MTNL is also required to be strengthened to further improve the quality of service.

MTNL's TDM Fixed line switches are becoming obsolete as their induction started 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 plan with the 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 and revenue increase since landline revenue got stagnated over the last 3-4 years.

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. But in the present cash crunch situation and vide exposure to bank/financial institutions, infusion of CAPEX for expansion/replacement of technology is possible with the financial supports from GOVT.

4. OPERATIONAL RISK:

a) Utilization of Assets:

MTNL's assets located in prime locations of Delhi and Mumbai were transferred by an order of the government of India (the Government) and a deed of sale was executed by the Government in its favor representing an irrevocable transfer. Indian law generally requires that to perfect the transfer or lease of real property, the transfer should be evidenced by a formal, duly stamped deed of transfer and registered with the Central Land Registrar within a specified period after the execution of the deed of transfer or lease. A formal transfer deed for real estate property of the DOT, transferred by the Government to MTNL has been executed but has not been registered with the appropriate municipal authorities. The formal transfer deed and physical delivery of possession of the DOT's non-real estate assets has resulted in the transfer of such non-real estate assets of the DOT to MTNL in Delhi and Mumbai.



Indian law also requires payment of stamp duty (at rates which vary among states) on instruments, which effect transfer of title to real estate or in respect of leases of real estate assets. Therefore MTNL could be liable for stamp duty, if any, upon registration (other than with respect to the DOT properties acquired from the Government as of March 30, 1986).

Although MTNL has valid possession (including the risks and rewards of ownership) and titles to all of its properties, but these need to be registered and stamped to acquire marketable titles to real properties in its possession for which stamp duty has to be paid. Hence MTNL cannot monetize or sell these properties without payment of stamp duties and registering the properties in its name. In case of merger/demerger acquisition amalgamation, the proper valuation and transfer of assets will be a serious concern in this situation.

The process for better utilization of its assets, such as buildings in Delhi and Mumbai, to generate additional revenue MTNL has already started entering in to a memorandum of understanding (MoU) with BSNL to share the infrastructure and network of each other, in a bid to offer better services to their consumers. Further the building in Delhi & Mumbai are also given on rental for generation of additional revenues. These can be further used for advertisement, brand building and earn good revenue.

b) Utilization of manpower resources:

MTNL has huge legacy staff strength inherited from DoT. Presently MTNL has around 33,776 working employees as compared to 62000 in the year 1997-98.. There has been some reduction in staff because of three V R Schemes and normal 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 and this cost in case of other operators range from 5 to 7% where as it is more than 67% presently as on 31-03-2016 in case of MTNL.

Even though the employees cost was reduced from 120% of revenue to 65% of revenue in the year 2013-14 because of pension liability taken over by Govt of India, but still the staff legacy cost is on increasing trend and reached to @ 75% of revenue as on 31-12-2015, however further reduced to 67% as on 31.03.2016 on accounts of increase of other income due to CDMA Spectrum refund but still on very high side as compared to industry benchmark which is from 5 to 7%. More efforts need to be made to reduce the staff by offering VRS or CRS. 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 salary support for 50% of staff expected to take VRS (i.e appx. 7200 no. of employees of various grades) has been submitted to DOT /Govt on the basis of recommendations of GOM. MTNL Board also approved the proposal for implementation of the Policy "Periodical Review Mechanism in MTNL to ensure Probity and Efficacy amongst the Employees" to bring administrative efficiency, which is based on FR56(J), FR56(I) or Rule 48 of CCS Pension Rules, 1948.

Further efforts are required to be made to identify the interested and specialised staff for the challenging tasks to achieve the maximum output. The legacy staff with an average age of 54 years on one hand and the lack of human resources with marketing and technological expertise to compete in the market on the other hand is a constant risk in marketing the products of MTNL as well as in rendering the products/services with better quality of service.

Regular training programmes should be organised to keep the staff updated/intact with recent development related to the company.

Regular interaction is required between the representatives of unions and association to avoid the situation of industrial unrest/strike etc.

Apart from the above the company policy needs to be attuned to evolving the process of identifying and encouraging merit and differentiating the performers and others and introduction of appropriate HR methods is also required to avoid the risk of inertia and complacency amongst the work force and to engender the positive work motivation.

5. FINANCIAL/LIQUIDITY/DEBTS MANAGEMENT RISK:

Due to continuance losses in MTNL, the net worth of the company has already eroded and further wide exposure of loans from bank and financial institution, there is possible risk of liquidity crunch in near future as follow:

- ♦ **CAPEX:** Huge amount is required for further expansion/modernization to keep abreast with the technological changes in the near future for which the company has to depend upon the GOVT support and in the absence of such support the stagnation sets in and network gets dilapidated and obsolete running the risk of exodus of existing subscribers in pursuit of systems with latest and innovative telecom solutions.
- ♦ **Staff Legacy Cost:** After meeting the staff cost (including pay revision in near future if any), which is almost 67% of revenue in MTNL and interest costs on debts to the tune of 34% of revenues no cash flow is left for OPEX or CAPEX which poses a serious threat to the continuation of the company as a viable entity and unless the capital infusion and other supporting revival plans at different levels of Govt. for consideration fructify and percolate practically in terms of financial support packages.
- ♦ **Debt:** To meet fund requirement for opex, capex and spectrum company has borrowed ₹17,993 crore from banks up to 31/03/2016, and servicing interest towards bank itself which is presently around 34% of total revenues is a big threat and the spiraling interest costs due to restituting old debts with new debts gradually could lead to a serious debt trap effecting the capability of the Company either to raise further loans or to service the debts and interest costs.
- ♦ **Debts Management:** the debt management of the company is itself a big challenge. As on 31/03/2016 company has total debts of ₹17,993 Cr from bank and financial institutions, payment of interest as well as repayment of principal is challenge for MTNL unless Govt/DOT support for recasting the debts. However the issue of Debenture to the tune of ₹4533.97 Crore against refund of BWA one time spectrum fees has reduced the debts burden of Term loan as well outflow of interest, but meeting further Capex requirement will still remain a great threat to the company.

Debt serving/interest serving ratio of the company as on 31-03-2016 is negative and is on decreasing trend year on year basis. Similarly debt equity ratio is 28.46 as on 31.03.2016. Leakage of revenue should properly be rested through better billing software and its audit at regular intervals by establishing a proper internal control system. Revenue Assurance management already working in MTNL required to be more strengthened. Proper cost benefit analysis required to be done before making any capital expenditure or launching new services.

6. INTERNAL CONTROL FAILURES AND INTEGRITY OF FINANCIAL INFORMATION RISK :

Information's are required at each level/department for policy and decision making. Lack of effective internal control and management information system can put an organization in the risk of making ineffective policy and decision. Revenue assurance being also part of Internal control system should also be strengthened for avoiding any possibility of leakage of revenue. The System tools used for Internal control and RA should also be controlled through review system for their appropriateness and adequacy. The new Companies Act 2013 made it mandatory for audit of internal controls on financial reporting from 2015-16 which also adds up to Compliance risks.

Effective internal controls enables the organization to furnish reliable financial reporting and substantially complies with the laws and regulations that apply to it. However, the extent to which the organization achieves operational and strategic objectives depends on factors outside the enterprise, such as competition, regulations, government procedures and controls or technological innovation. These factors are outside the scope of internal control and therefore, effective internal control provides only timely information or feedback on progress towards the achievement of operational and strategic objectives, but cannot guarantee their achievement.

7. INFORMATION TECHNOLOGY & SYSTEMS SECURITY RISK:

(i) **IT general controls** – Controls related to: a) Security, to ensure access to systems and data is restricted to authorized personnel, such as usage of passwords and review of access logs; and b) Change management, to ensure program code is properly controlled, such as separation of production and test environments, system and user testing of changes prior to acceptance, and controls over migration of code into production. Information Technologies are vital to MTNL operations. They are tools that improve the quality and efficiency of work. They are the repositories for critical and proprietary corporate information. Improper access to or the destruction of these resources will have serious consequences for the company. Therefore for the purpose of according full security to IT applications the IT policy document has been finalized by MTNL IT team in order to-

- ensure that IT resources are appropriately protected from destruction, alteration or unauthorized access and that.
- all used hardware & software used for these applications are appropriately protected from intrusion, destruction, alteration or unauthorized access.

(ii) **IT application controls** – Controls over information processing enforced by IT applications, such as edit checks to validate data entry, accounting for transactions in numerical sequences, and comparing file totals with control accounts. IT related resources such as Operational, Billing and Customer Care Systems are prone to hacking, spoofing and other cyber crimes.

(iii) **CBCRM System** – CBCRM system is quite critical from revenue perspective as a number of revenue activities are being done through it e.g. Voice IUC settlement, mobile rating, invoice generation etc. The project/its equipments are running since 2006 and almost outlived its life. The major challenges are non availability of source code, lack of support of various licenses due to prohibitive cost etc. Such constraints pose challenges in implementation/feasibility of development as per the dynamic market conditions. BEL, the project implementer has already pulled out of the project in July'2014. Post pull out, limited support (no hardware) could hardly be finalized till July'2016 on as-is-where basis and there is no guarantee for further extension of support.

MTNL cannot utilize the system indefinitely and the new billing tender/ new billing system to be made operational at the earliest possible.

(iv) **Obsolete Hardware infrastructure** – Many of the hardware for providing core services and providing supportive/workflow processes have become obsolete and need to be replaced due to EOSL and non-availability of spares e.g. the hardware for CSMS, ISP set up, EPS/CBCRM etc.

(v) **Call Centre** – A number of call centers are working in Delhi and Mumbai for services such as Landline, Broadband and Mobile. Most of the set up were procured along with the main equipment and are now obsolete. Non availability of support on these equipments in recent past (e.g. mobile call centre at CBCRM Mumbai) leads to direct impact on the customer satisfaction & churn.

(vi) **Network Security & Audit** – Govt of India has been focusing on strengthening the security of critical information infrastructure (CII) and many of the IT systems of MTNL have been declared as CII's. DOT vide its direction has mandated all ISP's to get their system audited once in a year. Security wing has sought certification of Audit by 16-.03.2015. MTNL is yet to complete the audit. However pending third party audit, the field units have been directed by IT cell C.O. to carry out audit by way of cross functional team.

To safeguard against above risks, effective IT security policy is to be followed in all Data Centres. Also, proper back up arrangements as well as disaster recovery mechanism are to be put in place.

IT policy may take cognizance of guidelines of Govt. of India as well as various standard developing organizations viz. ISO, ITU etc and their revision from time to time and in a manner consistent with the business and work flow requirements of the company.



8. DISASTER MANAGEMENT AND BUSINESS CONTINUITY RISK:

Lack of proper disaster management could become a threat to the business. To safeguard against this risk, effective disaster management policy should be framed keeping in view the anticipated risk of data as well as other information loss. Hence proper back up arrangements as well as disaster recovery mechanism are to be put in place.

9. GREATER TRANSPARENCY AND ENTITY LEVEL ETHICAL & GOVERNANCE RISK:

Policy to be framed to monitor the ethical level of all the concerned, so that the any decision should be taken consciously with full care and applying due diligence. To ensure this proper vigilance mechanism and whistler policy is already in place.



ANNUAL ACCOUNTS

2015-16



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INDEPENDENT AUDITORS' REPORT

TO,
THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED
Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of **Mahanagar Telephone Nigam Limited**, ("the Company"), which comprise the Balance Sheet as at 31st March, 2016, 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

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 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 financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the

circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

- (i) *The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹3098.39 crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company. (Also refer point no. 13 (a) of note no.34 to the financial statements).*
- (ii) *The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹8059.67 crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company. (Also refer point no. 19 (a) of note no.34 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 ₹140.36 crores instead of actual liability resulting in under statement of current liabilities and under statement of loss to that extent. (Also refer point no. 5 of note no.34 to the financial statements).*
- (iv) *The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, the same results into overstatement of capital work in progress/ fixed assets and under statement of loss. The actual impact of the same on the financial statements for year is not ascertained and quantified. (Also refer note no. 25 and 28 to the financial statements).*
- (v) *Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to AS-28 "Impairment of Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer point no. 29 of note no.34 to the financial statements).*
- (vi) *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. 16 of note no.34 to the financial statements).*
- (vii) *Dues from the operators are not taken into account for making provision for doubtful debts. Also in respect of Delhi Unit, no provision for doubtful debts is made for disputed cases outstanding for less than one year*

in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 3(b) of note no.1 to the financial statements).

(viii) (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. 15(a) of note no.34 to the financial statements).*

(b) *Unlinked credit of ₹13.79 crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated. (Also refer point no. 15(c) of note no.34 to the financial statements).*

(ix) *In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified. (Also refer point no. 17 of note no.34 to the financial statements).*

(x) *Fixed assets are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalised in the balance sheet cannot be ascertained.*

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

(xii) *Department of Telecommunication (DOT) had raised a demand of ₹3313.15 crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of 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 ₹107.44 crores on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallisation of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹3205.71 crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the financial statements of the Company. (Also refer point no.4 of note no.34 to the financial statements).

(xiii) *Other current assets include claim of Income tax refund for F.Y. 1999-2000 of ₹101.54 crores arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department.*

This includes tax amount of ₹60.30 crores and interest accrued thereon amounting to ₹41.24 crores. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.

- (xiv) *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.*
- (xv) *In Delhi Unit there is no laid down process / system to reconcile the service tax liability with the total revenue or with the debtors or under reverse charge mechanism. In addition there is no reconciliation process with respect to service tax payment or of outstanding service tax recoverable. In the absence of any such working / reconciliation, we are not in a position to comment on the correctness of the service tax liability / service tax recoverable and the consequent impact thereof on the financial statements of the Company.*
- (xvi) *Pending identification and details of the assets lost/destroyed by fire/theft in earlier years against which insurance claims amounting to ₹24.52 crores have been lodged in Mumbai Unit, the same continue to appear in the schedule of Fixed Assets under the head Gross Block, Accumulated Depreciation and Net Block. In the absence of details of such assets, we are not in a position to comment on the impact there of on the financial statements of the Company (Also refer point no.7(b) of note no.34 to the financial statements).*
- (xvii) *In respect of fixed assets of Delhi Unit and Corporate Office, depreciation charged is not fully in line with the requirements of Schedule II to the Companies Act, 2013. In the absence of required details, we are not in a position to comment on impact there of on the financial statements of the Company.*

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)(a), (ix), (x), (xi), (xii),(xiii), (xiv), (xv), (xvi) and (xvii) on the standalone financial statements of the Company for the year ended on 31st March 2016.

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) and (viii)(b) been considered in the standalone financial statements, loss for the year would have been ₹2146.10 crores as against the reported figure of ₹2005.74 crores in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹323.50 crores as against the reported figure of ₹337.29 crores, Other Current Liabilities would have been ₹4405.97 crores as against the reported figure of ₹4279.40 crores 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 possible effects of the matters described in the Basis for Qualified Opinion paragraph, the standalone financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2016 and its losses and its cash flows for the year ended on that date.

Emphasis of Matters

We draw attention to the following notes on the standalone 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. 26 of note no.34 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.

- (ii) Point no. 8(a) of note no.34 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.
- (iii) Point no.12(a) of note no.34 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.
- (iv) 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).
- (v) 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. 19 to the financial statements).
- (vi) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Schedule III of the Companies Act, 2013 has not been made by the Company in the financial statements.
- (vii) The financial statements of the Company reflect that net worth of the Company has virtually eroded, The Company has incurred net cash loss during the current year as well as in the previous year and the current liabilities exceeded the current assets substantially. all these conditions indicate the existence of material uncertainty that may cast significant doubts about the Company's ability to continue as a going concern. However, the financial statements of the Company have been prepared on a going concern basis for the reasons stated in the point no. 38 of note no. 34 to the financial statements.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure - 'A' a statement on the matters specified in paragraphs 3 of the Order, to the extent applicable.
2. As required by Section 143(5) of the Act, we give in Annexure B, a statement on the matters specified by the Comptroller and Auditor-General of India for the Company.
3. As required by Section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except for the matters described in point nos. (i), (ii), (iv), (v), (vi), (vii), (viii)(a), (ix), (x), (xi), (xii),(xiii), (xiv), (xv), (xvi) and (xvii) of the paragraph on Basis of Qualified Opinion given above ;
 - (b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for our comments under the head 'Basis for Qualified Opinion' stated above;
 - (c) The Balance Sheet, the Statement of Profit and Loss, and the Cash Flow Statement dealt with by this Report are in agreement the books of account;
 - (d) In our opinion and based on our comments in point nos. (iv), (v), (x), (xi), (xii), (xvi) and (xvii) of the paragraph on Basis for Qualified Opinion given above, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of



the Companies (Accounts) Rules 2014 except for AS-6 regarding Depreciation Accounting, AS-10 regarding Accounting of Fixed Assets, AS-28 regarding Impairment of Assets and AS 29 on Provisions, Contingent Liabilities and Contingent Assets;

- (e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, government companies are exempt from the applicability of Section 164 (2) of the Act;
- (f) With respect to the adequacy of internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in "Annexure C";
- (g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.
- (h) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. the Company has disclosed the impact of pending litigations, wherever quantifiable, on its financial position in its financial statements. Refer point no. 1 and 12 of Note no. 34 to the financial statements.
 - ii. the Company is not required to make any provision for any material foreseeable losses under any law or accounting standards on long terms contracts. Also the Company is not dealing into derivatives contracts. Refer point no. 36 of Note no. 34 to the financial statements.
 - iii. There has been no delay in transferring any amount to the Investor, Education and Protection Fund during the year. Refer point no 35 of Note No. 34 to the financial statements.

For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000250N

(V.K. DHINGRA)
PARTNER
M. NO. 014467

For MEHRA GOEL & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000517N

(R. K. MEHRA)
PARTNER
M. NO. 006102

PLACE : NEW DELHI
DATED : May 30, 2016

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

REFERRED TO IN OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHANAGAR TELEPHONE NIGAM LIMITED ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2016.

(i) (a) Delhi unit has maintained records of fixed assets. However in MS unit-Delhi, identification number are not mentioned. It has been noticed that records of the Estates Department in respect of land and building do not match with the records as per financial books. In case of Mumbai unit (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai unit are not updated and reconciled with the financial records. Also identification numbers are 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, Land & Building, Vehicles and Apparatus & Plants were physically verified in accordance with programme of verification by the management during the year and no material discrepancies were noticed on such verification.

(c) Title deeds of most of the immovable properties recorded in the books of the Company are not held in the name of the Company. Details of such properties are given hereunder:

(₹ in Crores)		
PARTICULARS	DELHI UNIT	MUMBAI UNIT
Free Hold Land		
-Total Number of Cases	1	29
-Gross Block	0.06	Rs. 3.85
Lease Hold Land		
-Total Number of Cases	89*	17
-Gross Block	219.53	Rs. 2.17
-Net Block	156.46	Rs. 1.36
Building		
-Total Number of Cases	53**	3
-Gross Block	32.37	Rs. 3.57
-Net Block	4.92	Rs. 2.85

* In respect of 43 cases out of 89 where the lease hold land acquired from DOT have been capitalised by the MTNL and no data is available in respect of depreciation and net WDV of such assets as the same is not identifiable from the fixed assets register.

** No information is available in respect of lease hold buildings allotted by the various govt. authorities to MTNL but the same has been capitalised by the MTNL and due to not availability of information the aforesaid cases has not been included in the above details.

(ii) In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except Sub-stores of Basic Unit Delhi and store of WS Unit Delhi during the year. Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

(iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Thus, paragraph 3(iii) of the Order is not applicable

- (iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus , paragraph 3(iv) of the Order is not applicable
- (v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed thereunder.
- (vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for 2015-16.
- (vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employee's state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, wherever applicable, have been regularly deposited during the year by the Company with the appropriate authorities.
- According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, sales tax, service tax duty of customs, duty of excise, value added tax, cess or other material statutory dues were in arrears as at 31 March 2016 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 , Sale tax, service tax, duty of customs, duty of excises, value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following dues:

Delhi Unit

i. Sales Tax

Name of the Statute	Amount (₹ in Crores) L.S.T (Net)	Period	Authority where Forum where the dispute is pending
Delhi Value Added Tax Act, 2004	12.21	2007-08	Delhi Value Added Tax, Tribunal
Delhi Value Added Tax Act, 2004	62.60	2009-10 & 2010-11 (CWG 2010)	Delhi Value Added Tax, Tribunal
Central Sales Tax Act, 1956	0.04	2012-13	Addl. Comm. Sales Tax
TOTAL	74.85		

ii. Service Tax

Name of the Statute	Amount (₹ in Crores) (Net)	Period	Forum where the dispute is pending
Finance Act, 1994	8.98	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.03	2007-08	Custom Excise and Service Tax Appellate Tribunal
TOTAL	31.01		

iii. Labour Cess

Name of the Statute	Amount (₹ in Crores) (Net)	Period	Forum where the dispute is pending
Building and other Construction Workers Welfare Cess Act, 1996.	9.73	1996 to 2001	Deputy Labor Commissioner

Mumbai Basic Unit

Sales Tax:

Name of the Statute	Amount under dispute (₹ in Crores) (Net)	Year to which amount relates	Forum where the dispute is pending
BST ACT	0.36	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	1.91	1998-99	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	3.52	1999-2000	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	5.48	2000-01	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	10.16	2001-02	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	216.11	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	101.57	2004-05	Maharashtra Sales Tax Tribunal, Mumbai
BST ACT	6.11	2011-12	Jt. Commissioner of Sales Tax, Mumbai
Total	345.22		

Luxury Tax

Name of the Statute	Amount under dispute (₹ in Crores) (Net)	Year to which amount relates	Forum where the dispute is pending
BST ACT	1.57	2011-12	Deputy Commissioner of Sales Tax, Mumbai

Mumbai MS Unit

Central Excise:

Name of the Statute	Amount Under dispute not deposited (₹ in Crores)	Year to Which Amount Relates	Forum where the dispute is pending
Central Excise Act	0.29	2004-05	Custom Excise and Service Tax Appellate Tribunal
Central Excise Act	0.26	2005-06	Custom Excise and Service Tax Appellate Tribunal
Central Excise Act	0.32	2006-07	Custom Excise and Service Tax Appellate Tribunal
Total	0.87		

- (viii) The Company has not defaulted in the repayment of dues to banks or debenture holders. The Company has not taken any loan from any financial institution or Government.
- (ix) The Company has neither made any public offer (including debt instruments) during the year nor has taken any term loan during the year. Accordingly, paragraph 3 (ix) of the Order is not applicable.
- (x) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2016 except for the following case:

Nature of Fraud	Amount (₹ in Crores)	Remarks
Misappropriation of cable store item in Moti Nagar Cable Store under area GM (West), New Delhi	Not yet ascertained	Case is under examination.



- (xi) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, government companies are exempt from the applicability of Section 197 of the Companies Act 2013. Accordingly clause 3 (xi) of the Order is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the company is not a Nidhi company. Hence, Clause 3 (xii) of the Order is not applicable to the Company.
- (xiii) In our opinion and as per the information and explanation given to us, the company has not entered into any transaction requiring compliance with Section 177 and 188 of the Companies Act, 2013. Hence, Clause 3 (xiii) of the Order is not applicable to the Company.
- (xiv) Based on the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review requiring compliance with Section 42 of the Companies Act, 2013. Hence, Clause 3 (xiv) of the Order is not applicable to the Company.
- (xv) Based on the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Hence, Clause 3 (xv) of the Order is not applicable to the Company.
- (xvi) In our opinion and according to the information and explanations given to us, Company is not required to register under Section 45 -IA of the Reserve Bank of India Act, 1934. Hence, Clause 3 (xvi) of the Order is not applicable to the Company.

For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000250N

For MEHRA GOEL & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000517N

(V.K. DHINGRA)
PARTNER
M. NO. 014467

(R. K. MEHRA)
PARTNER
M. NO. 006102

PLACE : NEW DELHI
DATED : May 30, 2016

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

REFERRED TO IN OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHANAGAR TELEPHONE NIGAM LIMITED ON THE STANDALONE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2016.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of Mahanagar Telephone Nigam Limited (Standalone) for the year 2015-16 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

Sr. No.	Areas Examined	Observation / Finding									
1	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	<p>The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under:</p> <p>DELHI UNIT The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold.</p> <p>MUMBAI UNIT The Company does not have clear title deeds in respect of 29 cases of land properties spread across Mumbai and classified as freehold. Also Company does not have lease deeds in respect of 17 cases of land properties spread across Mumbai and classified as Leasehold.</p>									
2	Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.	<p>The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under:</p> <table border="1" data-bbox="775 1564 1326 1790"> <thead> <tr> <th data-bbox="775 1564 1069 1608">Particulars</th> <th data-bbox="1069 1564 1326 1608">(₹ in Crores)</th> </tr> </thead> <tbody> <tr> <td data-bbox="775 1608 1069 1681">Write off of debts Due to non recoverability</td> <td data-bbox="1069 1608 1326 1681">28.36</td> </tr> <tr> <td data-bbox="775 1681 1069 1753">Waiver of penalty & interest</td> <td data-bbox="1069 1681 1326 1753">0.00</td> </tr> <tr> <td data-bbox="775 1753 1069 1790" style="text-align: right;">TOTAL</td> <td data-bbox="1069 1753 1326 1790">28.36</td> </tr> </tbody> </table>		Particulars	(₹ in Crores)	Write off of debts Due to non recoverability	28.36	Waiver of penalty & interest	0.00	TOTAL	28.36
Particulars	(₹ in Crores)										
Write off of debts Due to non recoverability	28.36										
Waiver of penalty & interest	0.00										
TOTAL	28.36										



Sr. No.	Areas Examined	Observation / Finding
3	Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.	a. There are no inventories lying with third parties. b. The Company has not received any assets as gifts from Government or other authorities during the year.

**For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000250N**

**For MEHRA GOEL & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000517N**

**(V.K. DHINGRA)
PARTNER
M. NO. 014467**

**(R. K. MEHRA)
PARTNER
M. NO. 006102**

**PLACE : NEW DELHI
DATED : MAY 30, 2016**

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

We have audited the internal financial controls over financial reporting of Mahanagar Telephone Nigam Limited ("the Company") as of 31st March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that :

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified as at March 31, 2016:

- (i) The company did not have an appropriate internal control system for identification of overheads to be capitalized with the cost of fixed assets which could potentially result into under /over capitalization of fixed assets and corresponding impact on the operational results of the Company.
- (ii) The company did not have appropriate internal control system for ensuring capitalization of fixed assets as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items. This could potentially result into under capitalisation and corresponding impact on the operational results due to lower charge of depreciation.
- (iii) The company did not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors/contractors at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.
- (iv) The company did not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.
- (v) The company did not have an appropriate internal control system for reconciliation of vendor/contractor accounts which could potentially result in some changes in the financial statements.
- (vi) The company did not have an appropriate internal control system for deduction and/ or deposit of statutory dues like service tax and works contract tax resulting into or which could potentially result in non deduction and/ or deposit of statutory dues with consequential impact in financial statements.
- (vii) The company did not have effective internal audit system so as to cover all major areas with extensive scope. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.



(viii) The company did not have appropriate internal control systems to reconcile the financial accounts pertaining to income tax and service tax with the relevant tax records and returns. This could potentially result into under/ overstatement of such amounts in the financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of the Company, and these material weaknesses do not affect our opinion on the financial statements of the Company.

**For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000250N**

**For MEHRA GOEL & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000517N**

**(V.K. DHINGRA)
PARTNER
M. NO. 014467**

**(R. K. MEHRA)
PARTNER
M. NO. 006102**

**PLACE : NEW DELHI
DATED : MAY 30, 2016**



MAHANAGAR TELEPHONE NIGAM LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2016

Particulars	Note No	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2	630.00	630.00
Reserves & Surplus	3	(617.40)	1,437.42
NON - CURRENT LIABILITIES			
Long Term Borrowings	4	9,058.97	10,008.97
Other Long Term Liabilities	5	2,537.92	2,965.43
Long Term Provisions	6	1,720.49	1,760.18
CURRENT LIABILITIES			
Short Term Borrowings	7	7,923.74	6,595.43
Trade Payables	8	343.61	208.56
Other Current Liabilities	9	4,279.40	3,070.48
Short Term Provisions	10	215.10	173.37
Total		26,091.83	26,849.84
ASSETS			
Non - Current Assets			
Fixed Assets			
(a) TANGIBLE ASSETS	11	5,446.61	5,976.84
(b) INTANGIBLE ASSETS	12	4,117.00	4,455.48
(c) CAPITAL WORK IN PROGRESS	13	102.02	133.84
Non Current Investments	14	141.98	161.98
Long Term Loans And Advances	15	8,997.22	9,158.59
Other Non Current Assets	16	5,167.51	4,835.00
CURRENT ASSETS			
Current Investments	17	-	20.00
Inventories	18	67.59	96.13
Trade Receivables	19	337.29	294.52
Cash & Cash Equivalents	20	162.38	70.64
Short Term Loans & Advances	21	1,240.38	1,203.08
Other Current Assets	22	311.84	443.74
Total		26,091.83	26,849.84
Significant Accounting Policies	1		

See accompanying notes (1 to 34) to the financial statements
In terms of our report of even date attached

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

For Mehra Goel & Co.
Chartered Accountants
FRN: 000517N

(S.R.Sayal)
Co. Secy.

(K. A. Sarma)
DGM (Accounts)

For and on behalf of Board

Sd/-
(V.K. Dhingra)
(Partner)
M.No: 014467

Sd/-
(R.K. Mehra)
(Partner)
M.No: 006102

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

Sd/-
(N. K. Yadav)
Chairman & Managing Director

Place : New Delhi
Date : 30th May, 2016



MAHANAGAR TELEPHONE NIGAM LIMITED
Statement of Profit and Loss for the year ended 31st March, 2016

Particulars	Note No	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
REVENUE			
Net Revenue From Operations	23	3,196.62	3,397.53
Other Income	24	316.09	410.07
		3,512.71	3,807.60
EXPENSES			
Employee Benefits	25	2,637.03	2,631.11
Revenue Sharing	26	243.85	369.31
Licence Fees	27	187.09	220.80
Administrative, Operative And Other Expenses	28	865.51	872.97
Depreciation & Amortisation	29	1,121.01	1,130.97
Finance Cost	30	1,296.71	1,439.62
		6,351.19	6,664.78
Profit/(Loss) Before Exceptional, Prior Period Items & Tax		(2,838.48)	(2,857.18)
Exceptional Items		-	-
Profit/(Loss) Before Prior Period Items & Tax		(2838.48)	(2,857.18)
Extraordinary Items		-	-
Profit/(Loss) Before Prior Period Items & Tax		(2,838.48)	(2,857.18)
Prior Period Items	32	(24.49)	(9.62)
Profit/(Loss) Before Tax		(2,813.98)	(2,847.56)
Tax Expenses			
Tax Adjustment for earlier year	31	(492.26)	-
Profit/(Loss) From Continuing Operations (After Tax)		(2,321.72)	(2,847.56)
Profit/(loss) for the period from Discontinuing operations		315.99	(45.83)
Tax Expense Of Discontinuing Operations		-	-
Profit/(Loss) For The Period From Discontinuing Operations (After Tax)		315.99	(45.83)
Profit/(Loss) For The Period		(2,005.74)	(2,893.39)
Earnings/ (Loss) Per Equity Share			
(1) Basic (₹)		(31.84)	(45.93)
(2) Diluted (₹)		(31.84)	(45.93)

Significant Accounting Policies 1
See accompanying notes (1 to 34) to the financial statements
In terms of our report of even date attached

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

For Mehra Goel & Co.
Chartered Accountants
FRN: 000517N

(S.R.Sayal)
Co. Secy.

(K. A. Sarma)
DGM (Accounts)

Sd/-
(V.K. Dhingra)
(Partner)

Sd/-
(R.K. Mehra)
(Partner)

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

For and on behalf of Board
Sd/-
(N. K. Yadav)
Chairman & Managing Director

M.No: 014467

M.No: 006102

Place : New Delhi

Date : 30th May, 2016

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 specified under section 133 of Companies Act, 2013 read with Rule-7 of Companies (Accounts) Rules, 2014 & as amended time to time and the relevant provisions of the Companies Act, 2013.

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 ₹ 1.00 lakh each for overlapping period.

2. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires judgments, 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 certainty of recovery 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 up to 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 are 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 ₹ 1.00 lakh 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. Subscriber Installations are capitalized as and when the exchange is commissioned and put to use either in full or in part. Identifiable components in Apparatus & Plants having significant cost and/or separate useful life than the main asset i.e. ADSL, VDSL & MES CPES, UPS/Batteries and Subscriber Telephone Instruments are capitalised separately on commissioning and put to use.
- (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 on the basis of the useful lives prescribed in Schedule II of the Companies Act 2013 except in respect of Apparatus & Plant (including Towers, Transceivers, switching centers, transmission & other network equipments) and identifiable components in Apparatus & Plants having significant cost and/or separate useful life than the main asset which are depreciated at the rates based on technical evaluation of useful life of these assets, which are lower than the lives prescribed in Schedule II of the Companies Act 2013:

Name of Assets	Useful Life
Apparatus & Plant (including Towers, Transceivers, switching centres, transmission & other network equipments)	10 Years
Components having separate life as under in A & P:	
- UPS/Battery up to 200AH capacity	4 Years
- UPS/Battery more than 200AH capacity	7 Years
- ADSL, VDSL & MES CPES	5 Years
- Subscribers Telephone Instruments	5 Years

- (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 ₹ 0.10 lakh in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹ 2.00 lakh 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.

13. Government Grants:

Government grant related to specific fixed assets is shown as a deduction from the gross value of the assets concerned in arriving at its book value in the balance sheet. Where the grant related to a specific fixed asset equals the whole, or virtually the whole, of the cost of the asset, the asset is shown in the balance sheet at a nominal value.

Government grants related to revenue are recognized on a systematic basis in the profit and loss statement over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are shown as a deduction from the related expense in the profit and loss statement.

NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

NOTE - 2

SHARE CAPITAL

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10 each (80,00,00,000 Equity Shares of ₹10 each)	<u>800.00</u>	<u>800.00</u>
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each (63,00,00,000 Equity Shares of ₹10 each)	630.00	630.00
Total	<u>630.00</u>	<u>630.00</u>

Shareholders holding more than 5% shares

Name of the Shareholder	As at 31.3.2016		As at 31.3.2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC including LIC Fortune Plus Secured Fund	118515213	18.81	118515213	18.81

NOTE - 3

RESERVES & SURPLUS	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Share Premium Account		
Opening Balance	665.00	665.00
Addition	-	-
Deletion	-	-
Closing Balance	<u>665.00</u>	<u>665.00</u>
Surplus/ (Deficit)		
Opening Balance	350.63	(6,499.07)
Less: Depreciation adjustment due to revision of useful life*	(49.09)	(79.89)
Add: Profit during the year	-	-
Less: (Loss) during the year	(2,005.74)	(2,893.39)
Less: Proposed/ Final Dividend	-	-
Less: Transfer to Reserve for Debenture Redemption	-	-
Add: Transfer from Other Reserves	-	9,822.98
Closing Balance	<u>(1,704.19)</u>	<u>350.63</u>
Reserve for Contingencies**		
Opening Balance	345.72	345.72
Addition	-	-
Deletion	-	-
Closing Balance	<u>345.72</u>	<u>345.72</u>
Reserve for Research & Development		
Opening Balance	30.80	30.80
Addition	-	-
Deletion	-	-
Closing Balance	<u>30.80</u>	<u>30.80</u>
Reserve for Debenture Redemption		
Opening Balance	45.27	45.27
Addition	-	-
Deletion	-	-
Closing Balance	<u>45.27</u>	<u>45.27</u>

General Reserves

Opening Balance	-	9,822.98
Addition	-	-
Deletion	-	9,822.98
Closing Balance	-	-
Total	(617.40)	1,437.42

* Refer Point No. 11 of Note No. 34

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

NOTE - 4
LONG TERM BORROWINGS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
(A) Secured		
(a) Term Loans (Net of Current Maturities)		
From Banks*	1,545.00	2,495.00
(Secured by floating first pari passu charge on all fixed and current assets)		
	1,545.00	2,495.00
(B) Unsecured		
(i) Debentures-Series 4D**	2,268.90	2,268.90
(22689 number of 8.29 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(ii) Debentures-Series 4C**	0.07	0.07
(7 number of 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.01 crore each)		
(iii) Debentures-Series 4B**	100.00	100.00
(1000 number of 8.28 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(iv) Debentures-Series 4A**	1,400.00	1,400.00
(14000 number of 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(v) Debentures-Series 3A**	765.00	765.00
(7650 number of 9.39 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(vi) Debentures-Series 2A**	1,975.00	1,975.00
(19750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(vii) Debentures-Series 1A**	1,005.00	1,005.00
(10050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
	7,513.97	7,513.97
Total	9,058.97	10,008.97



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

Name of Bank	Amount outstanding (₹ in crore)	No. of instalments	Weighted Average Rate of interest
IDBI	1050.00 (2,000.00)	Repayment due in 3 spread on:- Jun-17, ₹350 Crs. Sep-17, ₹350Crs. Dec-17, ₹350 Crs.	10.40%
Indian Overseas Bank	495.00 (495.00)	Repayment due in 4 spread on:- Jul-17, ₹125 Crs. Jan-18, ₹150 Crs. Jul-18, ₹150 Crs Jan-19, ₹70 Crs.	
TOTAL	1,545.00 (2,495.00)		

**** 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).

**** Debentures-Series 4A**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 19.11.2024. 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).

**** Debentures-Series 4B**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.28 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redmption date being 19.11.2024 and with call option exercisable at the end of 9th year. 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).

**** Debentures-Series 4C**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 19.11.2024. 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).

**** Debentures-Series 4D**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.29 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 28.11.2024. 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 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Payable to BSNL	2019.43	2003.63
Security Deposits from Customers	502.86	555.77
Security Deposits from Others	11.23	0.00
Trade Payables- Non Current	3.10	55.31
Other Long Term Liabilities	1.30	350.72
Total	2,537.92	2,965.43

**NOTE - 6
LONG TERM PROVISIONS**

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
(a) Provisions for Employee Benefits:		
Pension- Company Employees	754.03	791.55
Leave Encashment- Company Employees	943.60	914.00
Gratuity- Company employees	22.86	54.21
(b) Other long Term Provision	0.00	0.42
Total	1,720.49	1,760.18

**NOTE - 7
SHORT TERM BORROWINGS**

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
A. Loans repayable on demand		
Unsecured		
(i) From Banks- Overdrafts	6438.74	4295.43
(ii) From Banks- Short Term Loans	1485.00	2300.00
Total	7923.74	6595.43

Particulars	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Outstanding Amount	1485.00	2300.00
Weighted Average Rate of interest	9.87%	10.62%

**NOTE - 8
TRADE PAYABLES**

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2016 (₹ in Crore)
(i) For Goods and Services	343.61	208.56
(ii) Due under MSMED Act	0.00	0.00
Total	343.61	208.56

NOTE - 9
OTHER CURRENT LIABILITIES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Current maturities of long term debt	950.00	0.00
Interest Accrued but not due		
(i) On security deposits	0.11	0.13
(ii) On bonds	169.94	170.46
(iii) On borrowings- short term	15.38	3.56
(iv) On borrowings- long term	17.41	22.80
Income received in advance	114.35	81.85
Unutilised Capital Grant	24.11	0.00
Other Payables		
Deposits from :		
(i) Contractors	35.22	40.08
(ii) Customers	60.44	21.35
(iii) Others	2.99	0.00
Unclaimed Bonds	0.00	0.07
Other Liabilities		
(i) For Salary & other benefits	134.98	239.00
(ii) GPF of MTNL optee	1911.21	1757.96
(iii) Service Taxes & withholding Taxes Payables	216.59	221.22
(iv) Advance received from customers	76.69	74.03
(v) Others	68.16	88.82
Amount Payable:		
(i) To DoT	49.42	45.71
(ii) To Subsidiary Companies	0.33	0.85
(iii) To contractors- for goods & services	25.75	25.75
(iv) To contractors- other than goods & services	356.41	152.15
(v) To other operators for revenue sharing (Other than BSNL)	49.92	124.69
Total	4279.40	3070.48

NOTE - 10
SHORT TERM PROVISIONS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Provision for employee benefits		
Pension		
(i) Company employees	40.29	39.79
(ii) Others	0.10	0.72
Leave Encashment		
(i) Company employees	147.46	124.42
(ii) Others	0.18	0.96
Gratuity- Company Employees	27.07	7.27
Provision for Wealth tax	0.44	0.77
Less: Payment of Wealth Tax	0.44	0.56
	0.00	0.21
Total	215.10	173.37

NOTE - 11 TANGIBLE FIXED ASSETS

Description	Gross Block (Rs In Crore)				Depreciation (Rs In Crore)				Net Block (Rs In Crore)	
	As at 1.4.2015	Additions During The Year	Adjustments During The Year	Sales During The Year	As at 31.3.2016	For the year	Sales/ Adjustments During The year	Impairment loss during The Year	As at 31.3.2016	As at 31.3.2015
LAND:										
- FREEHOLD	19.05	-	-	-	19.05	-	-	-	-	19.05
- LEASEHOLD	319.29	-	-	-	319.29	3.38	-	-	56.04	263.25
BUILDING	1,796.23	76.45	0.31	-	1,872.99	66.19	(8.15)	-	744.29	1,109.99
LEASED PREMISES	6.53	-	-	-	6.53	0.14	-	-	1.73	4.80
LINES & WIRES	152.57	7.94	0.24	-	160.76	5.11	(0.01)	-	90.25	67.42
CABLES	7,632.19	78.70	2.59	-	7,713.48	183.52	0.82	-	6,227.13	1,589.41
APPARATUS & PLANT	9,866.75	310.08	(383.79)	-	9,793.04	509.24	(136.18)	(24.28)	7,390.51	2,825.03
VEHICLES	27.04	0.27	(0.03)	0.24	27.04	0.30	(0.20)	-	24.78	2.36
FURNITURE & FIXTURES	152.70	1.19	(0.00)	0.01	153.87	4.26	0.55	-	138.38	19.13
OFFICE MACHINERY & EQUIPMENTS	35.91	0.13	(0.11)	0.00	35.92	0.28	(0.11)	-	33.98	2.11
ELECTRICAL APPLIANCES	151.59	0.19	(0.15)	0.00	151.63	3.43	(0.10)	-	135.37	19.55
COMPUTERS	308.85	1.67	(0.79)	-	309.73	17.18	(3.66)	-	279.57	42.80
ASSETS SCRAPPED / DECOMMISSIONED	8.43	32.79	(35.91)	-	5.30	-	-	-	-	8.43
TOTAL	20,477.14	509.39	(417.65)	0.25	20,568.63	793.03	(147.03)	(24.28)	15,122.02	5,446.61
Previous Year	20,013.44	558.70	(93.55)	1.45	20,477.14	818.41	76.68	17.19	14,500.30	5,976.84

Notes:

- Additions during the year include adjustments on account of value difference, spill over cost etc identified during the year in respect of existing fixed assets
- Depreciation on the assets of continuing operations is ₹ 1121.01 Cr. and for discontinuing operations is ₹ 12.34 Cr
- Depreciation of ₹ 49.09 Crore on account of component of assets, whose useful life is already exhausted before 01.04.2015, has been adjusted against opening retained earnings and included in adjustments above.

NOTE - 12 INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Crore)				Amortisation (₹ In Crore)				Net Block (₹ In Crore)	
	As at 1.4.2015	Additions During The Year	Adjustments During The Year	Sales During The Year	As at 31.3.2016	For the year	Sales/ Adjustments During The year	Impairment loss during the year	As at 31.3.2016	As at 31.3.2015
APPLICATION SOFTWARE	131.37	1.84	-	-	133.21	12.12	-	-	62.80	73.08
3G & BWALLENCE FEES	6,564.00	-	-	-	6,564.00	328.20	-	-	4,054.20	4,382.40
TOTAL	6,695.37	1.84	-	-	6,697.21	340.32	-	-	4,117.00	4,455.48
Previous Year	6,695.24	0.13	-	-	6,695.37	340.18	-	-	2,239.89	-

NOTE - 13
CAPITAL WORK IN PROGRESS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Buildings	5.04	3.78
Apparatus & Plants	21.50	40.44
Lines & Wires	3.05	3.16
Cables	53.86	57.52
Subscribers Installations	15.26	27.52
Air Conditioning Plants	6.17	1.42
Less: Provision for Abandoned Works	(2.86)	0.00
Total	102.02	133.84

NOTE - 14
NON CURRENT INVESTMENTS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
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)	2.88	2.88
Mahanagar Telephone Mauritius Ltd. (Un Quoted 572264029 Equity Shares)	100.97	100.97
Investment in Joint Ventures		
United Telecom Ltd. (Un Quoted 5736200 Equity Shares of Nepali ₹ 100 (INR 62.50) each fully paid up)	35.85	35.85
MTNLSTPI IT Services Ltd. (Un Quoted 2282000 Equity shares @ ₹10 each)	2.28	2.28
(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, four instalments of ₹20 crore each were due in 2012-13, 2013-14, 2014-15 and 2015-16 but still not received.	0.00	20.00
Total	141.98	161.98
Particulars	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	141.98	161.98
Total	141.98	161.98

NOTE - 15
LONG TERM LOANS AND ADVANCES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
SECURED, CONSIDERED GOOD		
Advances to employees		
(i) Housing Loan	20.08	28.83
(ii) Vehicle Loan	0.49	0.79
(iii) Other Loans	0.06	0.08
UNSECURED, CONSIDERED GOOD		
Capital Advance	2.27	2.28
Deposits with other Govt. Deptt. / Companies	134.15	34.97
Recoverable from subsidiaries and joint ventures	3.35	4.63
Cenvat	1.75	4.99
Amount recoverable from DoT	7998.43	8248.51
Others		
Advance Taxes		
Income Tax	991.57	1521.54
Less: Provision for income tax	(409.25)	(936.00)
	582.32	585.54
FBT	254.31	273.71
Less: Provision for FBT	0.00	(25.74)
	254.31	247.97
UNSECURED, CONSIDERED DOUBTFUL		
Amount recoverable from DoT	0.01	0.01
Deposits with other Govt. Deptt. / Companies	20.08	15.70
Total	20.08	15.71
Less:		
Provision for Doubtful Deposits/ Advances	20.08	15.71
Total	8997.22	9158.59

NOTE - 16
OTHER NON CURRENT ASSETS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
SECURED, CONSIDERED GOOD		
Interest accrued on loans and advances	53.47	66.76
Interest accrued on deposit	2.09	0.96
Bank deposits (with more than 12 months maturity)*	0.03	7.30
UNSECURED, CONSIDERED GOOD		
Receivable from BSNL	5111.60	4759.65
UNSECURED, CONSIDERED DOUBTFUL		
Receivable from BSNL	6.22	6.22
Receivable from DoT	1.39	1.39
OTHERS		
Balance with bank**	0.33	0.33
Less:		
Provision for other non current assets	7.61	7.61
Total	5,167.51	4,835.00

* includes ₹ 0.03 crore (₹7.30 crore) under lien

** under lien on court directions

NOTE - 17
CURRENT INVESTMENTS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Investment in ITI Preference shares (Unquoted)	100.00	80.00
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, four instalments of ₹20 crore each were due in 2012-13, 2013-14, 2014-15 and 2015-16 but still not received.		
Less: Provision for doubtful recovery of investment	100.00	60.00
Total	0.00	20.00

Particulars	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	100.00	80.00
Total	100.00	80.00

NOTE - 18
INVENTORIES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Lines and Wires	4.46	5.38
Cables	34.31	46.63
Exchange Equipment	29.88	31.36
WLL Equipments	0.08	0.08
Telephone & Telex Instrument	26.55	42.10
WLL Instruments	15.83	15.68
Telephone & Telex Spares	0.10	0.10
Mobile Handset & Sim cards	2.51	2.77
Total	113.72	144.10
Less:		
Provision for obsolete items	46.12	47.97
Total	67.59	96.13

NOTE - 19
TRADE RECEIVABLES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
UNSECURED		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
Considered Good	187.08	133.50
Considered Doubtful	1.46	0.97
(b) OUTSTANDING FOR OVER SIX MONTHS		
Considered Good	118.86	118.61
Considered Doubtful	759.58	756.90
Total	1066.97	1009.98
Less:		
Provision for doubtful debts	729.02	715.01
Provision for wrong billing	0.65	0.45
Total	337.29	294.52

Secured to the extent of security deposits to the tune of ₹ 563.31 crore (₹ 577.12 crore) which are under reconciliation.

NOTE - 20
CASH AND CASH EQUIVALENTS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Balances with banks	145.54	66.94
Cheques/ Drafts in hand	1.43	2.75
Cash in hand	0.41	1.18
Bank deposits (with less than 1 year maturity)	16.14	0.90
Total	163.51	71.77
Less:		
Provision for doubtful bank balances	1.13	1.13
Total	162.38	70.64

NOTE - 21
SHORT TERM LOANS AND ADVANCES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
LOANS & ADVANCES		
(1) To EMPLOYEES		
Secured, Considered good		
(i) Housing Loan	8.70	12.62
(ii) Vehicle Loan	0.28	0.37
(iii) Other Loans	0.01	0.04
Unsecured, Considered good;		
Festival, TA, LTC, Medical etc advances	52.37	0.40
(2) To OTHERS		
Unsecured, Considered good		
(i) Contractors	21.50	21.64
(ii) Advance payment of Taxes		
(a) Income Tax	38.08	11.47
(iii) Prepaid expenses	52.62	50.05
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - IUC operators	4.58	4.52
(b) Service Tax Recoverable - others	149.11	144.16
(c) Cenvat Credit	118.98	114.39
(v) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	67.17	79.73
(b) DoT	109.27	110.13
(c) Others	617.70	653.56
UNSECURED, CONSIDERED DOUBTFUL		
Festival, TA, LTC, Medical etc advances	0.01	0.01
Contractors	5.95	5.96
Others	84.76	80.79
Total	1331.11	1289.84
Less:		
Provision for Doubtful Claims/ Advances	90.73	86.76
Total	1240.38	1203.08

NOTE - 22
OTHER CURRENT ASSETS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
SECURED, Considered good		
Interest accrued on deposits	0.27	0.33
Interest accrued on loans and advances	15.73	14.98
UNSECURED, Considered good		
Interest accrued on Income Tax Refund	43.41	64.59
Income Tax Receivables	60.30	168.94
Unbilled Revenue	189.78	194.90
Other Current Assets	2.35	0.00
Total	311.84	443.74



NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

**NOTE - 23
NET REVENUE FROM OPERATIONS**

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
(a) Revenue from Sale of Services		
FIXED TELEPHONE:		
Fixed Monthly Charges	570.56	568.44
Calls & other charges	430.01	506.92
Franchisee services	24.35	31.08
Rent & Junction Charges- Others	85.41	93.44
Access & other charges- Others	26.68	88.29
IPTV	0.00	0.02
Broadband	859.63	833.85
VCC	0.72	1.04
Circuits- Local	359.15	326.05
Circuits- Long Distance	18.31	33.66
ISDN - Fixed Monthly Charges	48.09	46.53
ISDN - Call Charges	37.56	36.91
MOBILE SERVICES:		
Interconnection Charges	61.36	78.98
Cellular- Fixed & Call Charges	117.07	122.59
Income from Roaming	195.10	251.89
Pre- paid income	210.49	233.49
Activation Charges	0.20	0.26
VAS	60.38	42.19
OTHER SERVICES:		
Internet	14.81	14.97
Free Phone	61.96	61.11
Premium Rate Services	0.27	0.31
Miscellaneous	1.63	0.95
	3183.74	3372.97
(b) Other Operating Revenues		
Revenue from enterprise business	0.06	0.22
Surcharge on delayed payments	12.82	13.35
Others	0.00	10.99
	12.89	24.56
Total	3,196.62	3,397.53

NOTE - 24
OTHER INCOME

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
INTEREST		
(i) From Bank	1.83	2.31
(ii) From Employees	5.16	6.49
(iii) From Income Tax Refunds	3.68	24.82
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	0.13	0.25
Profit on sale of assets	0.20	0.30
Liquidated damages	6.59	6.56
Foreign Exchange Fluctuation Gain	0.00	0.08
Bad Debts Recovered	0.14	0.50
Excess Provision Written back	61.78	80.08
Rent on Quarters/ IQs/ Hostels & other services	9.14	10.06
Rental income from properties	136.51	112.09
Excess Liability Written back	-	130.81
Others	90.94	35.72
Total	316.09	410.07

NOTE - 25
EMPLOYEE BENEFITS

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Salary, Wages & Other Benefits	2388.01	2382.34
Bonus / Exgratia	0.00	0.01
Medical Expenses/ Allowances	86.60	91.62
Leave Encashment		
(i) Company Employees	167.29	121.25
(ii) Others	0.54	0.61
Pension Contribution		
(i) Company Employees	123.03	130.94
(ii) Others	0.92	1.10
Contribution To CPF	66.25	65.88
Gratuity	(0.00)	26.68
Staff Welfare Expenses	0.34	0.48
Others	(0.03)	(0.06)
Total	2,832.93	2,820.85
Less:		
Allocation To Capital Work in Progress	195.90	189.75
Total	2,637.03	2,631.11

NOTE -26
REVENUE SHARING

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Revenue Sharing	243.85	369.31
Total	243.85	369.31

NOTE -27
LICENCE FEES

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Licence Fees	187.09	220.80
Total	187.09	220.80

NOTE -28
ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Power, Fuel & Water	283.59	278.04
Rent	84.95	86.41
Repairs & Maintenance		
(i) Building	20.57	22.20
(ii) Plant & Machinery	116.86	123.74
(iii) Others	31.18	27.34
Seminar & Training Charges	2.68	1.97
Insurance	5.20	4.59
Rates & Taxes	53.55	44.69
Travelling Expenses	0.53	0.54
Postage & Courier	9.08	9.30
Printing & Stationery	6.98	7.72
Vehicle Expenses		
(i) Maintenance	0.71	0.79
(ii) Running	1.88	2.23
(iii) Hiring	8.35	7.90
Commission Paid To Franchisee Services	20.96	24.10
Advertising / Business Promotion Expenses	1.76	3.62

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Foreign Exchange Fluctuation Loss	0.09	1.19
Provision For Doubtful Debts	42.93	24.14
Provision For Doubtful Recovery Of Investment	40.00	20.00
Provision For Wrong Billing	0.26	0.45
Provision For Obsolete Store / Claim	1.13	0.96
Bad Debts Written Off	34.12	28.77
Professional & Consultancy Charges	3.98	5.19
Internet Charges	16.86	26.38
Loss On Sale Of Assets	1.58	1.49
Loss Of Assets (Other Than On Sale)	3.20	12.78
Loss on imparment of Assets (CDMA)	0.00	17.19
Spectrum Charges (WLL)	0.00	0.00
Spectrum Charges (MS)	34.16	48.76
Interest On Customer's Deposits	0.38	0.39
Provision For Doubtful Advances	1.37	2.86
Miscellaneous Expenses	71.83	65.69
Total	900.71	901.42
Less:		
Allocation To Capital Work in Progress	35.21	28.45
Total	865.51	872.97

NOTE - 29

DEPRECIATION & AMORTIZATION EXPENSES

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Depreciation	780.69	790.79
Amortization -3G Spectrum	328.20	328.20
Amortization -Other Intangibles	12.12	11.98
Total	1,121.01	1,130.97

NOTE - 30

FINANCE COST

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Interest On Bonds	271.73	271.38
Interest On Loan	995.14	1104.39
Commitment Fees	29.80	29.75
Interest On Income Tax	0.00	29.57
Other Borrowing Costs	0.04	4.53
Total	1,296.71	1,439.62

NOTE - 31
INCOME TAX EXPENSE

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Current Tax/ MAT	0.00	0.00
Deferred Tax	0.00	0.00
Tax Adjustment For Earlier Year	(492.26)	0.00
Total	(492.26)	0.00

NOTE - 32
PRIOR PERIOD ITEMS

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Prior Period Items (Debit)		
Salaries etc.	1.31	0.00
Power & Fuel	0.69	0.00
Rent	(1.16)	0.00
Repair to Plant & Machinery	2.29	0.00
Depreciation	(27.88)	19.72
Licence Fee	0.00	1.28
Others	6.91	5.17
Less:-		
Prior Period Items (Credit)		
Income from Telephone	7.51	0.00
Excess Provision Written Back (Income Tax)	0.02	0.00
Rates & Taxes	(0.89)	1.98
Pension/ Gratuity payout recoverable from DoT	0.00	32.60
Others	0.00	1.21
Total	(24.49)	(9.62)

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

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
(a) As Auditor	0.39	0.37
(b) For Taxation Matters	0.08	0.08
(c) For Other Services	0.20	0.21
(d) For Reimbursement of Expenses	0.11	0.11
Total	0.77	0.77

Note 34: NOTES TO ACCOUNTS

		(₹ in Crore)	
1. Contingent Liabilities		2015-16	2014-15
(a)	Income Tax Demands disputed and under appeal	579.25	774.87
(b)	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	456.14	478.90
(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	3227.18	3227.18
(e)	Pending arbitration/court cases	1495.69	1113.43
(f)	Bank guarantee & Letter of Credit	118.14	110.60
(g)	Directory dispute	49.04	285.83
(h)	Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution.	173.81	173.81
(i)	Pending court cases against land Acquisition	4.61	4.61
(j)	License Fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36	140.36
(k)	Contingent Liability on account of Income Tax as shown in 1(a) above excludes various notices received from Income Tax 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 ₹ 12.85 crore (₹ 13.35 crores). In respect of incomplete contracts where the expenditure already incurred has exceeded the contract value, the additional expenditure required to complete the same cannot be quantified.		
3.	3. 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 effected.		
4.	4. Department of Telecommunications (DOT) has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and it also included the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency while calculating the spectrum charges. The calculations are further subject to change in accordance with the changes in the quantum of spectrum holding and the remaining valid period of license as per DOT 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. DOT 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. Further MTNL has finally surrendered CDMA spectrum w.e.f. 28.02.2016.		

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 DOT 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 sub judice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts as the amount is totally indeterminable. However the contingent liability of ₹ 3205.71 crores is shown on the basis of the demand raised by DOT in respect of GSM.

5. 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 F.Y. 2011-12. As per the directions of Supreme Court given earlier in respect of calculation of License Fees and AGR, the matter was referred back to TDSAT. TDSAT vide its judgment dated 23.04.2015 set aside the impugned demands of DOT and DOT was directed to rework the license fee in the light of their findings. However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement.

The issue of deduction claimed in AGR upto F.Y. 2011-12 in respect of revenue sharing on netting basis with BSNL has been taken up with DOT and BSNL while paying License Fees on actual payment basis from 2012-13 onwards. The impact of ₹140.36 crores on this account upto the year 2011-12 has been shown as contingent liability.

6. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹ 100 crores during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in five equal installments. Accordingly, five installments amounting to ₹20 crores each, aggregating to ₹100 crores 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. 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. Further DOT has also been reminded to issue directions to M/S ITI to redeem Preference Share capital and make repayment vide letter no.MTNL/CO/GM (BB & IA)/ITI Inve / 2013-14 dated 06.05.2015, 21.07.15, 27.08.15 and 29.01.16. Further a proposal for conversion of above cumulative Preference Shares to Equity Shares of ITI was given by ITI vide its letter no.K/B3/Pref-Shares/2016 dated 20.01.16 but the same was regretted by MTNL and communicated to ITI to pay the due amount at the earliest vide letter no. MTNL/CO/GM(BB&IA)/ITI Investment/2013-14 dated 09.02.2016. The installments which were due in 2012-13, 2013-14, 2014-15 and 2015-16 have not been paid and necessary provision for the overdue installments as well as for that due in 2016-17 has been made since although 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) no payment is forthcoming till date and above developments.
7. a) Certain claims in respect of damaged/lost fixed assets and inventory has been lodged with Insurance Companies by MTNL but the settlement of the claims is pending. Final adjustment in respect of difference between amount claimed and assets withdrawn will be made in the year of settlement of claim.
b) Amount of Gross Block, Accumulated Depreciation and value of inventory has been withdrawn in respect of such damaged/lost fixed assets and inventory in the respective years except an amount of

₹24.52 crores in Mumbai Basic unit. Suitable instructions have been issued and necessary accounting adjustment in respect of such assets will be made after receipt of details.

8. 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 ₹400.33 crores (₹400.33 crores) for this claim for the financial years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to ₹345.72 crores (₹345.72 crores) 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 80-IA of Income Tax Act, 1961.
- b) Income Tax receivable include appeal effect of ₹101.54 crores pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of ₹60.30 crores and interest accrued thereon amounting to ₹41.24 crores.
- 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. The company is in the process of compilation of tax records on yearly basis and reconciliation thereof with the financial records.
9. Company has unabsorbed depreciation and brought forward business losses as on 31.3.2016. However, there is no virtual certainty of availability of sufficient future taxable income. 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 Accounting Standard 22 - "Accounting for Taxes on Income" as per Rule 7 of Companies (Accounts) Rules, 2014.
10. During the year, Company has received an amount of ₹492.26 crores against the payment of Minimum Alternative Tax (MAT) on back to back basis as financial support on account of liability incurred on book profits in the financial year 2013-14 towards MAT. The same has accordingly been accounted for under the head "Tax Adjustment for Earlier years."
11. In line with the Notification No. G.S.R. 627(E) dated 29th August 2014 issued by Ministry of Corporate Affairs regarding identification of the components having significant cost and/or separate useful life than the main asset and to determine the useful life of that component separately, Company has exercised the option to implement the same during the F.Y. 2015-16. Depreciation of ₹49.09 crores on account of assets/component of assets, whose useful life is already exhausted before 01.04.2015, has been adjusted against opening retained earnings.
- 12. Litigations:**
- a) The 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 & Delhi invoked Bank Guarantees on 09.04.1996, 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 and on 31.07.2013 in favor of MTNL, Delhi. 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 & Delhi High Courts against the arbitration awards and MTNL also approached the Bombay & Delhi High Courts for balance amount due.

The claim of ₹49.04 crores on this account has been shown as contingent liability in Delhi unit.

- b) As per directions of the Hon'ble Delhi High Court one UASL operator had paid to MTNL, Mumbai ₹124.93 crores and ₹33.99 crores in 2004-05 and 2005-06 respectively against the claim of ₹158.92 crores. The company has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for refund of ₹96.71 crores. 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. MTNL filed review application which had been disposed off by Hon'ble TDSAT vide order dated 27.05.2014 on which MTNL filed CWP no.022764 dated 16.07.2014 in Hon'ble Supreme Court and the same is pending. Meanwhile UASL operator also filed appeal in Hon'ble Supreme Court.

The claim of ₹96.71 crores on this account has been shown as contingent liability.

- c) 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 ₹20.82 crores.

In the opinion of the management, there is remote possibility of the case being settled against MTNL.

- d) In respect of Mobile Services Delhi, a sum of ₹25.89 crores 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. The matter was handed over to the committee for investigation. Subsequently M/S TCL filed a case in Hon'ble TDSAT for recovery of the amount, decision for which is awaited.

The claim of ₹25.89 crores on this account has been shown as contingent liability.

In addition, the company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The company's management perceives that these legal actions, when ultimately concluded and determined, will not have any material impact on the company's financial statements.

13. Settlements with BSNL:

- a) The amount recoverable from BSNL is ₹5117.82 crores (₹4765.87 crore) and amount payable is ₹2019.43 crores (₹2003.63 crores). The net recoverable of ₹3098.39 crores (₹2762.24 crores) is subject to reconciliation and confirmation.
- b) Certain claims of BSNL on account of Signaling charges ₹21.93 crores (₹21.93 crores), Transit tariff ₹ 25.19 crores (₹25.19 crores), MP Billing ₹6.01 crores (₹6.01 crores), Service Connections ₹40.15 crores (₹40.15 crores), IUC ₹10.14 crores (₹10.14 crores) and IUC from Gujrat Circle ₹1.11 crore (₹ 1.11 crore) 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 ₹9.80 crores (₹9.80 crores) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹31.27 crores (₹31.27 crores), since no details / justifications are received till date from BSNL in spite of repeated persuasion. The balance amount of ₹21.47 crores (₹21.47 crores) is shown as contingent liability.
14. The Bank Reconciliation Statements as at 31st March 2016 include unmatched/unlinked credits/debits amounting to ₹3.31 crore (₹1.78 crore) and ₹3.53 crore (₹2.21 crore) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.
15. **Subscribers' dues and deposits:**
- a) The total balance in the Subscribers' Deposit Accounts, in all the units, is to the tune of ₹563.31 crores (₹577.12 crores). Out of this, balance in Delhi Unit amounting ₹283.87 crores (₹288.03 crores) is under reconciliation.
- b) Interest Accrued and Due on the aforesaid subscriber deposit accounts to the tune of ₹0.11 crores (₹0.13 crores) is subject to reconciliation with the relevant subsidiary records in Delhi unit.
- c) Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹13.79 crores (₹10.43 crores), 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.
16. The amounts of receivables and payables (including NLD / ILD Roaming operators) are subject to confirmation and reconciliation.
17. 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 received in the bank from other operators for varying periods.
- In MTNL Delhi unit, the collections received from the operators are matched in totality against the bills. 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, the roaming debtors are reconciled in totality in the absence of detailed information and such reconciliation is being done on regular basis.
18. In case of Mumbai Unit, the balances with non-scheduled banks comprise of:

S.No.	Name of the Bank and Branch	Balance as on 31st March, 2016 (₹)	Maximum balance during the year
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)

19. Settlements with DOT:

- a) Amount recoverable on current account from DOT is ₹8109.09 crores (₹8360.03 crores) and amount payable is ₹49.42 crores (₹45.71 crores). The net recoverable of ₹8059.67 crores (₹8314.32 crores) is subject to reconciliation and confirmation. 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.
 - b) Deposits from applicants and subscribers as on 31st March, 1986 were ₹81.32 crores (₹81.32 crores) in Mumbai unit as intimated provisionally by DOT. At the year end, these deposits amounted to ₹103.28 crores (₹103.28 crores), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31st March, 1986. Balance on this account still recoverable from DoT is ₹55.85 crores (₹55.85 crores).
 - c) The total provision for Leave Encashment is ₹1091.05 crores up to 31.3.2016 (₹1038.43 crores). Out of this, an amount of ₹65.37 crores (₹65.37 crores) and ₹43.37 crores (₹43.37 crores) is recoverable, from DOT in respect of Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.
 - d) An amount of ₹1946.56 crores (₹1790.76 crores) towards GPF contribution is recoverable from DOT as on 31.3.2016. 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.
20. As per gazette notification no.GSR 138(E) dated 3rd March 2014 pensionary benefits in respect of absorbed combined service pension optees are being paid by the Government of India on BSNL pay scales. 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.

21. 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 crores)	
	2015-16	2014-15
Employer Contribution to Provident Fund*	67.24	67.06
Leave Encashment Contribution for DOT employees**	0.54	0.61
Pension Contribution for DOT employees***	0.92	1.10
Pension Contribution for Company employees****	123.03	130.94

* 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 crores)

Particulars	Gratuity* 31.03.16	Gratuity* 31.03.15
Current Service Cost	20.37	18.83
Past Service Cost	--	--
Interest Cost	25.89	26.03
Expected Return on Plan Assets	(64.46)	(89.90)
Curtailment and Settlement Cost/(Credit)	--	--
Surplus return on asset lying with trust	--	48.76
Actuarial(gain)/loss	5.82	23.37
Net Cost (Expenses recognized during the year)	(12.38)	27.09

*Mentioned as Gratuity for other than combined service pension optee employees.

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

Particulars	31.03.2016 Gratuity	31.03.2015 Gratuity
Discount Rate	7.95%	8.00%
Future Salary increase	3.50%	3.50%
Future DA increase	4.00%	4.00%
Expected rate of return on Plan Assets	8.34%	8.00%

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

a) Benefit obligations:

Particulars	(₹ in crores)	
	Gratuity 31.03.16	Gratuity 31.03.15
Present value of obligation at the beginning of the period	323.62	306.27
Interest Cost	25.89	26.04
Current Service Cost	20.37	18.83
Past Service Cost	--	--
Curtailment cost/(Credit)	--	--
Benefit Paid	(33.62)	(35.35)
Actuarial (Gain)/loss on obligations	6.07	7.83
Present value of obligation as at the end of period	342.33	323.62

b) Plan Assets

Particulars	(₹ in crores)	
	Gratuity 31.03.16	Gratuity 31.03.15
Fair Value of plan assets at beginning of year	805.77	1123.77
Expected Return on Plan Assets	64.46	89.90
Transfer To MTNL	(64.30)	(380.64)
Benefit Paid	--	--
Premium Redemption Reserve	(3.35)	(11.72)
Actuarial gain/(loss) on Plan Assets	0.25	(15.54)
Fair Value of Plan Assets at the end of the year	802.83	805.77
Actual return on plan assets	64.71	25.60

IV. Category of Investment in Gratuity trust as on 31.03.2016.

Particulars	Amounts
	(₹ in crores)
Government of India Securities	259.99 (299.00)
Corporate Bonds	203.33 (192.16)
State Govt. Securities	305.38 (278.80)
Mutual Funds	2.86 (NIL)
Others	31.27 (35.81)
Total	802.83 (805.77)

- 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 LIC (1994-96) 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.
22. The Company has taken 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).

23. Information regarding Primary Business Segments: - AS – 17
Summary of the Segment Information for the year ended and as of March 31, 2016

(₹ in Crore)

Particulars	Business Segments			Elimination	Total
	Basic	Cellular	Unallocable		
Revenue:					
External Revenue	2,551.97	644.59	0.06	-	3,196.62
Inter-segment Revenue	7.08	0.00	-	(7.08)	-
Total Revenue	2,559.05	644.60	0.06	(7.08)	3,196.62
Segment result before interest income, exceptional items, finance cost, prior period items and tax	(1,031.82)	(491.17)	(29.53)	-	(1,552.52)
Interest Income	4.00	1.21	5.46	-	10.67
Finance costs	-	1,164.99	131.72	-	1,296.71
Exceptional items	-	-	-	-	-
Prior period items	(19.31)	(5.18)	(0.07)	-	(24.57)
Profit/ (Loss) before Tax					(2,813.99)
Provision for Tax	-	-	(492.26)	-	(492.26)
Profit/ (Loss) from Continuing operations (after Tax)					(2,321.73)
Profit/ (Loss) from Discontinuing operations (after Tax)					315.99
Profit/ (Loss) for the period (after tax)					(2,005.74)
Other Information:					
Segment Assets	12,564.36	6,591.94	6,935.53	-	26,091.83
Total Assets				-	26,091.83
Segment Liabilities	7,752.94	13,061.18	5,265.11	-	26,079.23
Total Liabilities				-	26,079.23
Capital Expenditure	457.02	53.70	0.51	-	511.23
Depreciation & Amortisation	633.04	496.92	3.39	-	1,133.35

Summary of the Segment Information for the year ended and as of March 31, 2015

(₹ in Crore)

Particulars	Business Segments			Elimination	Total
	Basic	Cellular	Unallocable		
Revenue:					
External Revenue	2,656.82	729.50	11.21	-	3,397.53
Inter-segment Revenue	10.25	3.50	-	(13.74)	-
Total Revenue	2,667.07	732.99	11.21	(13.74)	3,397.53

Segment result before interest income, exceptional items, finance cost, prior period items and tax	(974.32)	(394.68)	(82.61)	-	(1,451.61)
Interest Income	-	-	34.04	-	34.04
Finance costs	-	-	1,439.62	-	1,439.62
Exceptional items	-	-	-	-	-
Prior period items	-	-	(9.62)	-	(9.62)
Profit/(Loss) before Tax					(2,847.56)
Provision for Tax	-	-	-	-	-
Profit/ (Loss) from Continuing operations (after Tax)					(2,847.56)
Profit/ (Loss) from Discontinuing operations (after Tax)					(45.83)
Profit/ (Loss) for the period (after tax)					(2,893.39)
Other Information:					
Segment Assets	12,644.35	7,150.23	7,055.25	-	26,849.83
Total Assets					26,849.83
Segment Liabilities	7,771.26	1,514.56	15,496.58	-	24,782.41
Total Liabilities					24,782.41
Capital Expenditure	504.39	54.25	0.19	-	558.83
Depreciation & Amortisation	625.41	532.98	0.20	-	1,158.59

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 to the needs of mainly 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. Items which are not directly relatable to the business segment are shown as unallocable.
4. In F.Y. 2014-15, the Company has not identified the finance cost related to cellular business, therefore the total financial cost was disclosed as unallocable.
24. CDMA Service, which is reported under Cellular Segment as per AS 17 (Segment Reporting), has been discontinued from 01.03.2016 and spectrum used for CDMA services has been surrendered for ₹458.04 crores to DOT. As at 31st March 2016, the carrying amount of the assets of CDMA was ₹23.92 crore (₹82.59 crores) and its liabilities were ₹185.77 crores (₹129.30 crores). The following statement shows the revenue and expenses of continuing and discontinuing operations:



Particulars	Continuing Operations		Discontinuing Operation		Total	
	31.03.16	31.03.15	31.03.16	31.03.15	31.03.16	31.03.15
Revenue	3512.71	3807.6	466.52	13.46	3979.23	3821.06
Expenses	6351.19	6664.78	150.57	58.68	6501.76	6723.46
Profit/(Loss) before prior period & Tax	(2838.48)	(2857.18)	315.95	(45.22)	(2522.53)	(2902.40)
Tax Exp.	(492.26)	0.00	0.00	0.00	(492.26)	0.00
Profit/(Loss) before prior period	(2346.22)	(2857.18)	315.95	(45.22)	(2030.27)	(2902.40)
Prior period items	(24.49)	(9.62)	(0.04)	0.61	(24.53)	(9.01)
Profit/(Loss) for the period	(2321.73)	(2847.56)	315.99	(45.83)	(2005.74)	(2893.39)

25. 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 Telecom Mauritius Ltd.	Wholly owned Subsidiary
MTML Data Ltd.	Step down Subsidiary
MTML International Ltd.	Step down Subsidiary
United Telecom Limited	Joint Venture
MTNL STPI IT Services Ltd.	Joint Venture

b) Balances of related parties:

(₹ in crores)

Particulars	Millennium Telecom Limited	Mahanagar Telecom Mauritius Ltd.	United Telecom Limited	MTNL STPI IT Services Ltd.
Loans & Advances	0.37 (0.36)	2.99 (3.98)	--	NIL (0.28)
Trade Payable	0.33 (0.85)	--	--	--

c) Key Management Personnel:

(i) List of Key Management Personnel:

Mr. N.K. Yadav	C.M.D. w.e.f. 08.06.2015
Mr. P. K. Purwar	Director (Finance) & Additional charge of CMD upto 07.06.15
Mr. Sunil Kumar	Director (HR)
Mr. S.R. Sayal	Company Secretary
Mr. B. K. Mittal	Executive Director, Delhi (upto 29.07.15)
Mr. A. K. Srivastav	Executive Director, Delhi (30.07.15 to 17.11.15)
Mr. Harvesh Bhatia	Executive Director, Delhi (18.11.15 to 13.01.16)
Mr. Sunil Kumar	Executive Director, Delhi (14.01.16 to till date)



Mr. Peeyush Agarwal

Executive Director, Mumbai (upto July 2015)

Mr. Pravin Punj

Executive Director, Mumbai (July 2015 to till date)

(ii) Remuneration Paid to

Key Management Personnel ₹1.07 crore (₹1.12 crore)

26. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary in nature.

27. Earning /(Loss) Per Share – AS – 20

1) Profit/(Loss) after Tax	₹ (-) 2005.74 crores (₹(-)2893.39 crores)
2) Number of Shares	63 crores
3) Nominal value of shares	₹10/-
4) Basic/ diluted EPS	₹(-) 31.84 (₹(-) 45.93)

28. 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 MTML Data Ltd & MTML International Ltd. (Step down subsidiaries) are consolidated in accordance with the Accounting Standard – 21. Consolidation of the financial statements of United Telecom Limited & MTNL STPI IT Services Limited (Joint Ventures) has been done in accordance with the Accounting Standard – 27.

MTNL holds 26.68% of Equity Shares in UTL and 50% in MTNL STPI IT Services Limited and consolidated in the accounts as under:- (₹ in crores)

Name of JV & Subsidiary	Income	Expenditure	Profit/(Loss)	Total As-sets	Total Liabilities
UTL	1.87	13.21	(11.34)	30.25	30.25
MTNL STPI IT Services Ltd.	2.81	2.20	0.61	3.56	3.56
Millenium Telecom Limited	1.80	1.51	0.29	6.51	6.51
Mahanagar Telecom Mauritius Limited	102.16	98.22	3.94	165.25	165.25
Total	108.64	115.14	(6.50)	205.57	205.57

29. There is no indication of any impairment of assets of the Company, on the basis of the company as a whole as a CGU under Accounting Standard 28.

30. Disclosures pursuant to General instructions for preparation of Statement of Profit & Loss as per Para 5 (viii)(a), (b) and (e) of Schedule III to the Companies Act, 2013 :

(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 (NIL)
(ii) Travel	= ₹ NIL (NIL)
(iii) Others	= ₹ 5.55 crores (₹5.09 crores)
(c) Earning in Foreign Exchange	= ₹ 4.29 crores (₹5.45 crores)

(d) Additional Information required under paragraphs 5 (viii) (c) of Schedule III to the Companies Act, 2013 is not ascertainable, since (i) consumption of stores is included under the normal heads of capital expenditure and/or repairs and maintenance, and (ii) the issues of imported and indigenous items are not separately priced/ identified.

31. Dues to Micro, Small and Medium Enterprises:

There is no reported Micro, Small and Medium enterprise as defined in the MSMED Act, 2006, to whom the company owes dues as at 31.3.2016. No interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.

32. 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. In view of losses, no provision for Bonus/ Exgratia has been made during the year.

33. **Debenture Redemption Reserve:** In view of losses, Debenture Redemption Reserve had not been created in F.Y. 2014-15 and 2015-16 in respect of Redeemable Non-Convertible Debentures (in the form of Bonds).

34. **Corporate Social Responsibility:** No funds have been spent towards CSR activities by the company during the year as there is no average net profit made by the company during the three immediately preceding financial years as per the requirement of section 135 of Companies Act 2013.

35. There is no delay in transferring amount, required to be transferred, to Investor Education and Protection Fund by the company.

36. The Company has no foreseeable losses, which requires provision under applicable laws or accounting standards on long-term contracts and not dealing into derivative contracts at all.

37. The company has undertaken a project for providing high speed Broadband connection with Wi-Fi facility using FTTH technology at the official residences of Members of Parliament (MPs) in New Delhi which is under progress. An upfront grant of ₹43 crores to fund the CAPEX requirement has been sanctioned by the Government and out of the same ₹18.89 crores has been shown as a deduction from the gross value of the concerned assets in arriving at its book value in the balance sheet as per AS 12 (Accounting for Government Grants). For the asset under construction, the unused amount of grant of ₹24.11 crores is kept separately under Other Current Liabilities in the Balance Sheet.

38. Company has incurred a loss of ₹2005.74 crores during the year under report. Although the net worth continues to be positive at the end of the year, considering the negative net worth resulted at the end of 3rd quarter of the year under report and also the positive net worth at the end of the year being not that tangible, the management has made an assessment of an entity's ability to continue as a going concern. The company has taken up a VRS proposal with the Govt., in the current financial year for voluntary retirement of around 5312 employees of all grades going to retire in next 10 years to reduce the legacy staff costs inherited on account of absorption of employees recruited under government w.e.f. 1-11-1998 and also on 1-10-2000, which has been under active consideration of Govt. of India. On approval and implementation of the scheme, the company is likely to reduce the staff expenses which will help the company to reduce its costs and thereby losses. Besides, the Company has taken for monetization of the lands and buildings of the company which is also under consideration of the Govt.



In addition to this, the case for approval for sovereign guarantee cover of Rs.5500 crores has also been sent to the Government for the purpose of swapping of long term and short term loans by issuance of Govt. Guaranteed bonds. This debt restructuring would bring down the finance costs. All these cases are under consideration of the Govt. Besides, the CMTS License which was earlier valid up to 10-10-2017, the validity is revised by Govt. up to 5-4-2019 which facilitates the continuation of services without any additional upfront Spectrum cost till the year 2019. All these aspects are considered by the management while preparing the financial statements, and an assessment of an entity's ability to continue as a going concern is made accordingly.

39. Figures have been rounded off to the nearest crore. Previous year figures have been regrouped/ recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.

(S. R. Sayal)

Company Secretary

(K. A. Sarma)

DGM(A/cs)

(P. K. Purwar)

Director (Finance)

(N. K. Yadav)

Chairman & Managing
Director

For V.K. Dhingra & Co .

Chartered Accountants

FRN No.000250N

V.K. Dhingra

(Partner)

Membership No. 014467

For Mehra Goel & Co.

Chartered Accountants

FRN No.000517N

R.K. Mehra

(Partner)

Membership No.006102

Place : New Delhi

Date : 30.05.2016



MAHANAGAR TELEPHONE NIGAM LIMITED
Cash Flow Statement for the year ended 31st March, 2016

	2015-16 (₹ in Crore)	2014-15 (₹ in Crore)
A. Cash Flow from Operating Activities		
Net profit/ (loss) before Tax	(2,522.53)	(2,902.40)
Ajustment for:		
Prior period adjustment (net)	(3.35)	29.34
Depreciation adjustment due to revision of useful life	(49.09)	(79.89)
Profit on sale of fixed assets	(0.20)	(0.30)
Loss on sale of fixed assets	1.58	1.49
Depreciation & Amortisation	1,133.35	1,158.59
Finance Cost	1,335.23	1,439.62
Interest Income	(10.67)	(34.04)
Operating cash profit/ (loss) before working capital changes	(115.67)	(387.59)
Adjustment for:		
Trade and other receivables	(122.25)	(227.20)
Inventories	28.54	(26.24)
Trade and other payables	2.82	(136.15)
Cash generated from operations	(206.56)	(777.18)
Direct Taxes paid/adjusted (Net)	462.31	(379.69)
Net Cash Flow from Operating Activities	255.75	(1,156.88)
Net Cash Flow from Operating Activities of Continuing Operation	(111.07)	(1,139.09)
Net Cash Flow from Operating Activities of discontinuing Operation	366.80	(17.80)
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including Capital WIP)	(475.81)	(313.23)
Sale of fixed assets	269.49	170.48
Interest received	43.32	20.66
Investments	-	0.00
Net Cash Flow from Investing Activities	(163.00)	(122.10)
- Net Cash Flow from Investing Activities of Continuing Operation	(163.00)	(122.51)
- Net Cash Flow from Investing Activities of discontinuing Operation	(0.00)	0.42
C. Cash Flow from Financing Activities		
Proceeds from borrowings	1,328.32	2,483.96
Finance Charges (including interest) paid	(1,329.33)	(1,380.65)
Net Cash Flow from Financing Activities	(1.01)	1,103.31
- Net Cash Flow from Financing Activities of Continuing Operation	(39.53)	1,103.31
- Net Cash Flow from Financing Activities of discontinuing Operation	38.53	-
D. Net Increase/ (Decrease) in Cash and Cash Equivalent	91.74	(175.67)
Cash and Cash equivalent as at the beginning of the year	70.64	246.31
Cash and cash equivalent as at the end of the year	162.38	70.64
Cash and cash equivalent as at the end of year represented by		
Cash in hand (including cheques/drafts in hand)	1.83	3.93
Balance with bank in current account (net of provisions)	144.41	65.81
Balance with bank in Fixed Deposit account	16.14	0.90
TOTAL	162.38	70.64

Note:- 1. Previous year figures have been regrouped/rearranged/reclassified wherever necessary
In terms of our report of even date attached

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

For Mehra Goel & Co.
Chartered Accountants
FRN: 000517N

(S.R.Sayal)
Co. Secy.

(K. A. Sarma)
DGM (Accounts)

Sd/-
(V.K. Dhingra)
(Partner)

Sd/-
(R.K. Mehra)
(Partner)

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

Sd/-
(N. K. Yadav)
Chairman & Managing Director

M.No: 014467

M.No: 006102

Place : New Delhi

Date : 30th May, 2016



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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO,
THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of **Mahanagar Telephone Nigam Limited** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its jointly controlled entities, which comprising of the Consolidated Balance Sheet as at March 31, 2016, the Consolidated Statements of Profit and Loss, the Consolidated Cash Flows Statement for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statement").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group including its Jointly controlled entities in accordance with accounting principles generally accepted in India; including the Accounting Standards specified under section 133 of the Act, read with rule 7 of the Companies (Account) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgment and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated financial statements.

Basis for Qualified Opinion

- (i) The Holding Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 3,098.39 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated financial statements. (Also refer point no. 12 (a) of note no.34A to the consolidated financial statements).*
- (ii) The Holding Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹8,059.67 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated financial statements. (Also refer point no. 16 (a) of note no.34A to the consolidated financial statements).*
- (iii) In respect of Holding Company, up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Holding Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer point no. 7 of note no. 34A to the consolidated financial statements).*
- (iv) The Holding Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Accounting Standard - 10 "Accounting for Fixed Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, the same results into overstatement of capital work in progress/fixed assets and understatement*

of loss. The actual impact of the same on the consolidated financial statements for year is not ascertained and quantified. (Also refer note no. 25A and 28A to the consolidated financial statements).

- (v) In respect of Holding Company, except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to AS-28 "Impairment of Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. In view of uncertainty in achievement of future projections made by the Holding Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer point no. 18 of note no. 34A to the consolidated financial statements).
- (vi) In respect of Holding Company, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated financial statements is not ascertainable and quantifiable. (Also refer, point no. 14 of note no. 34A to the consolidated financial statements).
- (vii) In respect of Holding Company, Dues from the operators are not taken into account for making provision for doubtful debts. Also in respect of Holding Company (Delhi Unit), no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no. 3(b) of note no. 1A to the consolidated financial statements).
- (viii) (a) In respect of Holding Company (Delhi Unit), reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on the consolidated financial statements cannot be ascertained and quantified at present. (Also refer point no. 13(a) of note no. 34A to the consolidated financial statements).
- (b) In respect of Holding Company, Unlinked Credit of ₹ 13.79 Crores on account of receipts from subscribers against billing by the Holding Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated. (Also refer point no. 13 (c) of note no. 34A to the consolidated financial statements).
- (ix) In respect of Holding Company, in the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Holding Company (Delhi Unit). Pending such reconciliation, the impact of the same on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no 15 of note no. 34A to the consolidated financial statements).
- (x) In respect of Holding Company, Fixed assets are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the fixed assets gets deferred to next year. The resultant impact of the same on the consolidated statement of profit and loss by way of depreciation and amount of fixed assets capitalised in the consolidated balance sheet cannot be ascertained.
- (xi) In respect of Holding Company, Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential

impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the consolidated financial statements cannot be ascertained and quantified.

- (xii) *In respect of Holding Company, Department of Telecommunication (DOT) had raised a demand of ₹3,313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.*

As explained the demand for spectrum usage for CDMA has been revised by ₹107.44 Crores on account of rectification of actual usage.

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallisation of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹3,205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the consolidated financial statements. (Also refer point no. 6 of note no. 34A to the financial statements).

- (xiii) *In respect of Holding Company, Other current assets include claim of Income tax refund for F.Y. 1999-2000 of ₹101.54 Crores arising from pending appeal effect/rectification under Section 154 of Income Tax Act, 1961 by income tax department. This includes tax amount of ₹60.30 Crores and interest accrued thereon amounting to ₹41.24 Crores. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the consolidated financial statements.*
- (xiv) *In respect of Holding Company, 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.*
- (xv) *In respect of Holding Company (Delhi Unit), there is no laid down process/system to reconcile the service tax liability with the total revenue or with the debtors or under reverse charge mechanism. In addition there is no reconciliation process with respect to service tax payment or of outstanding service tax recoverable. In the absence of any such working/ reconciliation, we are not in a position to comment on the correctness of the service tax liability/service tax recoverable and the consequent impact thereof on the consolidated financial statements.*
- (xvi) *In respect of Holding Company, Pending identification and details of the assets lost/destroyed by fire/theft in earlier years against which insurance claims amounting to ₹24.52 Crores have been lodged in Mumbai Unit, the same continue to appear in the schedule of Fixed Assets under the head Gross Block, Accumulated Depreciation and Net Block. In the absence of details of such assets, we are not in a position to comment on the impact there of on the consolidated financial statements.*

(xvii) *In respect of Holding Company (Delhi Unit and Corporate Office), in respect of fixed assets, depreciation charged is not fully in line with the requirements of Schedule II to the Companies Act, 2013. In the absence of required details, we are not in a position to comment on impact thereof on the consolidated 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)(a), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi) and (xvii) on the consolidated financial statements for the year ended on 31st March 2016.

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), (viii)(b) been considered in the consolidated financial statements, loss for the year would have been ₹2,152.60 Crores as against the reported figure of ₹2,012.24 Crores in the consolidated Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹326.37 Crores as against the reported figure of ₹340.16 Crores, Other Current Liabilities would have been ₹4,425.01 Crores as against the reported figure of ₹4,298.44 Crores in the consolidated 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 aforesaid consolidated financial statements give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Group, and its jointly controlled entities as at 31st March, 2016 and their consolidated loss and their consolidated cash flows 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 Holding Company requiring emphasis by us. Our opinion is not qualified in respect of these matters:

- (i) Point no. 17 of note no. 34A 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.
- (ii) Point no. 9(a) of note no. 34A to the consolidated financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Holding Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Holding Company u/s 80 IA of the Income Tax Act, 1961.
- (iii) Point no. 11(a) of note no. 34A to the consolidated financial statements regarding accounting of claims and counter claims of Holding Company with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for Holding Company, in the year when the ultimate collection / payment of the same becomes reasonably certain.
- (iv) Classification of trade receivables as unsecured without considering the security deposit which the Holding Company has received from the subscribers. (Also refer note no. 19A to the consolidated financial statements).
- (v) 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. 19A to the consolidated financial statements).

- (vi) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Schedule III of the Companies Act, 2013 has not been made by the Holding Company in the consolidated financial statements.
- (vii) The consolidated financial statements of the Group and its jointly controlled entities reflect that net worth of the Group and its jointly controlled entities has virtually eroded, The Group and jointly controlled entities have incurred net cash loss during the current year as well as in the previous year and the current liabilities exceeded the current assets substantially. All these conditions indicate the existence of material uncertainty that may cast significant doubts about the Group and its jointly controlled entity ability to continue as a going concern. However, the consolidated financial statements have been prepared on a going concern basis for the reasons stated in the point no. 24 of note no. 34A to the consolidated financial statements.

Other Matters

We have relied on the unaudited financial statement of two subsidiary and two step subsidiaries whose financial statements reflect total assets of ₹171.76 Crores as at 31st March, 2016, total revenue of ₹103.96 Crores and cash flows amounting to ₹11.71 Crores for the year ended on that date and on the unaudited financial statements of two jointly controlled entities wherein group's share of loss aggregate ₹10.73 Crores. These unaudited financial statements / consolidated financial statements as approved by the respective Board of Directors of these companies have been furnished to us by the Management and our report insofar as it relates to the amounts included in respect of these subsidiaries and jointly controlled entities is based solely on such approved unaudited financial statements / consolidated financial statements. In our opinion and according to the information and explanations given to us by the Management, these financial statements are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

1. As required by sub-section 3 of Section 143 of the Act, we report to the extent applicable, that:
 - (a) We have sought and, except for the possible effect of matter described in points no. (i), (ii), (iv), (v), (vi), (vii), (viii)(a), (ix), (x), (xi), (xii), (xiii), (xiv), (xv), (xvi), and (xvii) of the paragraph on Basis of Qualified Opinion given above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flows Statement dealt with by this Report are in agreement with relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - (d) In our opinion and based on our comments in point no. (iv), (v), (x), (xi), (xii), (xvi) and (xvii) of the paragraph on Basis for Qualified Opinion given above, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014 except for AS-6 regarding Depreciation Accounting, AS-10 regarding Accounting of Fixed Assets, AS-28 regarding Impairment of Assets and AS 29 on Provisions, Contingent Liabilities and Contingent Assets.

- (e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, Government Companies are exempt from the applicability of sub-section 2 of Section 164 of the Act.
- (f) With respect to the adequacy of internal financial controls over financial reporting and operating effectiveness of such controls, refer to our separate report in “Annexure A”, which is based on the Auditors Report of the Holding Company. Our report expresses a qualified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company.
- (g) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. the Group and its jointly controlled entities have disclosed the impact of pending litigations, wherever quantifiable, on its financial position in its consolidated financial statements. Refer point no. 3 and 11 of Note no. 34A to the consolidated financial statements.
 - ii. the Group and its jointly controlled entities are not required to make any provision for any material foreseeable losses under any law or accounting standards on long terms contracts. Also the Group and its jointly controlled entities are not dealing into derivatives contracts. Refer point no. 23 of Note no. 34A to the consolidated financial statements.
 - iii. there has been no delay in transferring any amount to the Investor, Education and Protection Fund during the year. Refer point no 22 of Note No. 34A to the consolidated financial statements.

**For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000250N**

**For MEHRA GOEL & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000517N**

**(V.K. DHINGRA)
PARTNER
M. NO. 014467**

**(R. K. MEHRA)
PARTNER
M. NO. 006102**

**PLACE : NEW DELHI
DATED : MAY 30, 2016**



ANNEXURE - 'A' TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE CONSOLIDATED FINANCIAL STATEMENTS

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

REPORT ON THE INTERNAL FINANCIAL CONTROLS UNDER CLAUSE (I) OF SUB-SECTION 3 OF SECTION 143 OF THE COMPANIES ACT, 2013 ("THE ACT")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Mahanagar Telephone Nigam Limited (hereinafter referred to as "the Holding Company") and its subsidiary company and jointly controlled company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company's and its subsidiary company and jointly controlled company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company and its subsidiary company and jointly controlled company which are incorporated in India considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") issued by ICAI and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in respect of Holding Company as at March 31, 2016:

- a) The company did not have an appropriate internal control system for identification of overheads to be capitalized with the cost of fixed assets which could potentially result into under /over capitalization of fixed assets and corresponding impact on the operational results of the Company.
- b) The company did not have appropriate internal control system for ensuring capitalization of fixed assets as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items. This could potentially result into under capitalisation and corresponding impact on the operational results due to lower charge of depreciation.
- c) The company did not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors/contractors at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.
- d) The company did not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.
- e) The company did not have an appropriate internal control system for reconciliation of vendor/contractor accounts which could potentially result in some changes in the financial statements.



- f) The company did not have an appropriate internal control system for deduction and/ or deposit of statutory dues like service tax and works contract tax resulting into or which could potentially result in non deduction and/ or deposit of statutory dues with consequential impact in financial statements.
- g) The company did not have effective internal audit system so as to cover all major areas with extensive scope. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.
- h) The company did not have appropriate internal control systems to reconcile the financial accounts pertaining to income tax and service tax with the relevant tax records and returns. This could potentially result into under/ overstatement of such amounts in the financial statements.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Holding Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2016, based on the internal control over financial reporting criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2016 financial statements of the Company, and these material weaknesses do not affect our opinion on the consolidated financial statements of the Company.

For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
Firm Regn. No. 000250N

For MEHRA GOEL & CO
CHARTERED ACCOUNTANTS
Firm Regn. No. 000517N

(V.K. DHINGRA)
PARTNER
M. NO. 014467

(R. K. MEHRA)
PARTNER
M. NO. 006102

PLACE : NEW DELHI
DATED : MAY 30, 2016



MAHANAGAR TELEPHONE NIGAM LIMITED
CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2016

Particulars	Note No	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2A	630.00	630.00
Share Application Money		14.17	9.05
Convertible Loan		9.54	0.00
Reserves & Surplus	3A	(634.56)	1,419.52
NON - CURRENT LIABILITIES			
Long Term Borrowings	4A	9,058.97	10,008.97
Deferred Tax Liabilities		4.51	3.34
Other Long Term Liabilities	5A	2,539.03	2,966.35
Long Term Provisions	6A	1,720.49	1,760.18
CURRENT LIABILITIES			
Short Term Borrowings	7A	7,923.86	6,599.08
Trade Payables	8A	354.57	227.67
Other Current Liabilities	9A	4,298.44	3,077.14
Short Term Provisions	10A	231.73	188.87
Total		<u>26,150.76</u>	<u>26,890.17</u>
ASSETS			
Non - Current Assets			
Fixed Assets			
(a) Tangible Assets	11A	6,113.24	6,580.38
(b) Intangible Assets	12A	4,456.47	4,796.83
(c) Capital Work In Progress	13A	134.07	407.90
Non Current Investments	14A	20.00	40.00
Deferred Tax Assets		0.03	0.34
Long Term Loans And Advances	15A	9,156.53	9,003.22
Other Non Current Assets	16A	4,835.23	4,269.63
CURRENT ASSETS			
Current Investments	17A	-	20.00
Inventories	18A	68.80	97.79
Trade Receivables	19A	340.16	301.28
Cash & Cash Equivalents	20A	192.79	98.96
Short Term Loans & Advances	21A	1,259.36	1,212.34
Other Current Assets	22A	312.36	444.24
Total		<u>26,150.76</u>	<u>26,890.17</u>
Significant Accounting Policies	1A		

See accompanying notes (1A to 34A) to the financial statements
In terms of our report of even date attached

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

For Mehra Goel & Co.
Chartered Accountants
FRN: 000517N

(S.R.Sayal)
Co. Secy.

(K. A. Sarma)
DGM (Accounts)

For and on behalf of Board

Sd/-
(V.K. Dhingra)
(Partner)
M.No: 014467

Sd/-
(R.K. Mehra)
(Partner)
M.No: 006102

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

Sd/-
(N. K. Yadav)
Chairman & Managing Director

Place : New Delhi
Date : 30th May, 2016



MAHANAGAR TELEPHONE NIGAM LIMITED
Statement of Consolidated Profit and Loss for the year ended 31st March, 2016

Particulars	Note No	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
REVENUE			
Net Revenue From Operations	23A	3,303.55	3,493.99
Other Income	24A	317.80	411.16
	TOTAL REVENUE	3,621.35	3,905.15
EXPENSES			
Employee Benefits	25A	2,641.36	2,634.44
Revenue Sharing	26A	266.95	385.92
Licence Fees	27A	201.41	236.36
Administrative, Operative And Other Expenses	28A	907.09	912.61
Depreciation & Amortisation	29A	1,150.97	1,157.84
Finance Cost	30A	1,297.10	1,440.10
	TOTAL EXPENSES	6,464.87	6,767.27
Profit/(Loss) Before Exceptional, Prior Period Items & Tax		(2,843.52)	(2,862.12)
Exceptional Items		0.00	0.00
Profit/(Loss) Before Tax		(2,843.52)	(2,862.12)
Extraordinary Items		0.00	0.00
Profit/(Loss) Before Prior Period Items & Tax		(2,843.52)	(2,862.12)
Prior Period Items	32A	(24.48)	(9.62)
Profit/(Loss) Before Tax		(2,819.04)	(2,852.50)
Tax Expenses	31A		
Current Tax/ Mat		0.48	0.25
Deferred Tax		0.97	2.59
Tax Adjustment for Earlier Year		(492.26)	0.00
Profit/(Loss) From Continuing Operations (After Tax)		(2,328.23)	(2,855.34)
Profit/(Loss) for The Period From Discontinuing Operations		315.99	(45.83)
Tax Expense of Discontinuing Operations		0.00	0.00
Profit/(Loss) For The Period From Discontinuing Operations (After Tax)		315.99	(45.83)
Profit/(Loss) For The Period		(2,012.24)	(2,901.17)
Earnings/ (Loss) Per Equity Share			
(1) Basic (₹)		(31.94)	(46.05)
(2) Diluted (₹)		(31.94)	(46.05)

Significant Accounting Policies 1A
See accompanying notes (1A to 34A) to the financial statements
In terms of our report of even date attached

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

For Mehra Goel & Co.
Chartered Accountants
FRN: 000517N

(S.R.Sayal)
Co. Secy.

(K. A. Sarma)
DGM (Accounts)

For and on behalf of Board

Sd/-
(V.K. Dhingra)
(Partner)

Sd/-
(R.K. Mehra)
(Partner)

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

Sd/-
(N. K. Yadav)
Chairman & Managing Director

M.No: 014467

M.No: 006102

Place : New Delhi

Date : 30th May, 2016

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 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 specified under section 133 of Companies Act, 2013 read with Rule-7 of Companies (Accounts) Rules, 2014 & as amended time to time and the relevant provisions of the Companies Act, 2013.

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 ₹ 1.00 lakh each for overlapping period.

2. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires judgments, 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 certainty of recovery 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 up to 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 are 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 ₹1.00 lakh 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. Identifiable components in Apparatus & Plants having significant cost and/or separate useful life than the main asset i.e. ADSL, VDSL & MES CPES, UPS/Batteries and Subscriber Telephone Instruments are capitalised separately on commissioning and put to use.
 - (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 on the basis of the useful lives prescribed in Schedule II of the Companies Act 2013 except in respect of Apparatus & Plant (including Towers, Transceivers, switching centers, transmission & other network equipments) and identifiable components in Apparatus & Plants having significant cost and/or separate useful life than the main asset which are depreciated at the rates based on technical evaluation of useful life of these assets, which are lower than the lives prescribed in Schedule II of the Companies Act 2013:

Name of Assets	Useful Life
Apparatus & Plant (including Towers, Transceivers, switching centres, transmission & other network equipments)	10 Years
Components having separate life as under in A & P:	
- UPS/Battery up to 200AH capacity	4 Years
- UPS/Battery more than 200AH capacity	7 Years
- ADSL, VDSL & MES CPES	5 Years
- Subscribers Telephone Instruments	5 Years

- (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 ₹0.10 lakh in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹2.00 lakh 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.

13. Government Grants:

Government grant related to specific fixed assets is shown as a deduction from the gross value of the assets concerned in arriving at its book value in the balance sheet. Where the grant related to a specific fixed asset equals the whole, or virtually the whole, of the cost of the asset, the asset is shown in the balance sheet at a nominal value.

Government grants related to revenue are recognized on a systematic basis in the profit and loss statement over the periods necessary to match them with the related costs which they are intended to compensate. Such grants are shown as a deduction from the related expense in the profit and loss statement.



NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH, 2016

NOTE - 2A SHARE CAPITAL

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10 each (80,00,00,000 Equity Shares of ₹10 each)	800.00	800.00
ISSUED, SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each (63,00,00,000 Equity Shares of ₹10 each)	630.00	630.00
Total	630.00	630.00

Shareholders holding more than 5% shares

Name of the Shareholder	As at 31.3.2016		As at 31.3.2015	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC including LIC Fortune Plus Secured Fund	118515213	18.81	118515213	18.81

NOTE - 3A

RESERVES & SURPLUS	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Share Premium Account		
Opening Balance	665.00	665.00
Addition	-	-
Deletion	-	-
Closing Balance	665.00	665.00
Surplus/ (Deficit)		
Opening Balance	330.98	(6510.53)
Less: Depreciation adjustment due to revision of useful life*	(49.09)	(79.95)
Add: Profit during the year	4.85	3.54
Less: (Loss) during the year	(2017.08)	(2904.73)
Less: Transfer to Other Reserves	(0.03)	(0.02)
Add: Transfer from Other Reserves	0.00	9822.98
Less: Amortization of initial expense	(0.23)	(0.23)
Less: Income taxes of previous year	(0.03)	(0.09)
Closing Balance	(1730.62)	330.97
Reserve for Contingencies**		
Opening Balance	345.72	345.72
Addition	-	-
Deletion	-	-
Closing Balance	345.72	345.72
Reserve for Research & Development		
Opening Balance	30.80	30.80
Addition	-	-
Deletion	-	-
Closing Balance	30.80	30.80
Reserve for Debenture Redemption		
Opening Balance	45.27	45.27

Addition	-	-
Deletion	-	-
Closing Balance	45.27	45.27
Reserve for Foreign Currency Translation		
Opening Balance	1.68	13.40
Addition	7.48	(11.72)
Deletion	-	-
Closing Balance	9.16	1.68
General Reserves		
Opening Balance	0.07	9823.08
Addition	-	-
Deletion	-	9822.98
Less: Depreciation adjustment due to revision of useful life	-	(0.03)
Closing Balance	0.07	0.07
Total	(634.60)	1419.52

* Refer Point No. 10 of Note No. 34

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

NOTE - 4A

LONG TERM BORROWINGS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
(A) Secured		
(a) Term Loans (Net of Current Maturities)		
From Banks*	1545.00	2,495.00
(Secured by floating first pari passu charge on all fixed and current assets)	1,545.00	2,495.00
(B) Unsecured		
(i) Debentures-Series 4D**	2268.90	2268.90
(22689 number of 8.29 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(ii) Debentures-Series 4C**	0.07	0.07
(7 number of 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.01 crore each)		
(iii) Debentures-Series 4B**	100.00	100.00
(1000 number of 8.28 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(iv) Debentures-Series 4A**	1400.00	1400.00
(14000 number of 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(v) Debentures-Series 3A**	765.00	765.00
(7650 number of 9.39 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(vi) Debentures-Series 2A**	1975.00	1975.00
(19750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
(vii) Debentures-Series 1A**	1005.00	1005.00
(10050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 0.10 crore each)		
Total	7513.97	7513.97
	9,058.97	10,008.97



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

Name of Bank	Amount outstanding (₹ in crore)	No. of instalments	Weighted Average Rate of interest
IDBI	1,050.00 (2,000.00)	Repayment due in 3 spread on:- Jun-17, ₹350 Crs. Sep-17, ₹350Crs. Dec-17, ₹350 Crs	10.40%
Indian Overseas Bank	495.00 (495.00)	Repayment due in 4 spread on:- Jul-17, ₹125 Crs. Jan-18, ₹150 Crs. Jul-18, ₹150 Crs Jan-19, ₹70 Crs.	
TOTAL	1,545.00 (2,495.00)		

**** 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).

**** Debentures-Series 4A**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 19.11.2024. 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).

**** Debentures-Series 4B**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.28 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 19.11.2024 and with call option exercisable at the end of 9th year. 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).

**** Debentures-Series 4C**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.24 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 19.11.2024. 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).

**** Debentures-Series 4D**

The Debentures as mentioned above are Government of India Guaranteed, Unsecured, Listed, 8.29 % Redeemable Non Convertible Debentures (in the form of Bonds) having tenure/maturity period of 10 years with Redemption date being 28.11.2024. 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 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Payable to BSNL	2019.43	2,003.63
Security Deposits from Customers	503.08	555.77
Security Deposits from Others	11.23	-
Trade Payables- Non Current	3.10	55.31
Other Long Term Liabilities	2.18	351.64
Total	2,539.03	2,966.35

NOTE - 6A
LONG TERM PROVISIONS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
(a) Provisions for Employee Benefits:		
Pension- Company Employees	754.03	791.55
Leave Encashment- Company Employees	943.60	914.01
Gratuity- Company employees	22.86	54.21
(b) Other long Term Provision	-	0.41
Total	1,720.49	1,760.18

NOTE - 7A
SHORT TERM BORROWINGS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
A. Loans repayable on demand		
Unsecured		
(i) From Banks- Overdrafts	6438.74	4,299.08
(ii) From Banks- Short Term Loans	1485.00	2,300.00
Total	7,923.74	6,599.08
B. Loans & advances from related parties		
Unsecured	0.12	-
	0.12	-
Total	7,923.86	6,599.08

Particulars	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Outstanding Amount	1485.00	2300.00
Weighted Average Rate of interest	9.87%	10.62%



MTNL

**NOTE - 8A
TRADE PAYABLES**

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
(i) For Goods and Services	354.57	227.67
(ii) Due under MSMED Act	-	-
Total	354.57	227.67

**NOTE - 9A
OTHER CURRENT LIABILITIES**

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Current maturities of long term debt	950.00	-
Interest Accrued but not due		
(i) On security deposits	0.11	0.13
(ii) On bonds	169.94	170.46
(iii) On borrowings- short term	15.38	3.56
(iv) On borrowings- long term	17.41	22.80
Income received in advance	114.38	82.08
Unutilised Capital Grant	24.11	-
Other Payables		
Deposits from :		
(i) Contractors	35.32	40.32
(ii) Customers	63.42	24.49
(iii) Other	2.99	-
Unclaimed Bonds	-	0.07
Other Liabilities		
(i) For Salary & other benefits	134.98	239.01
(ii) ExGratia/ Bonus	-	-
(iii) GPF of MTNL optee	1,911.21	1,757.96
(iv) Service Taxes & withholding Taxes Payables	217.85	221.46
(v) Advance received from customers	76.69	74.03
(vi) Others	74.79	92.37
Amount Payable:		
(i) To DoT	53.70	45.98
(ii) To Subsidiary Companies	0.33	0.85
(iii) To contractors- for goods & services	25.75	25.75
(iv) To contractors- other than goods & services	356.41	148.15
(v) To other operators for revenue sharing (Other than BSNL)	53.68	127.67
Total	4,298.44	3,077.14

NOTE - 10A
SHORT TERM PROVISIONS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Provision for employee benefits		
Pension		
(i) Company employees	40.29	39.79
(ii) Others	0.10	0.72
Leave Encashment		
(i) Company employees	147.46	124.42
(ii) Others	0.18	0.96
Gratuity- Company Employees	27.07	7.27
Others		
Provision for ExGratia/Bonus	0.14	0.14
Others	16.43	15.34
Provision for Income Tax	0.05	0.00
Less: Income Tax- Advance Taxes	0.00	0.00
Provision for Wealth tax	0.44	0.77
Less: Payment of Wealth Tax	0.44	0.56
	-	0.22
Total	231.73	188.87

NOTE - 11A TANGIBLE FIXED ASSETS

Description	Gross Block (Rs In Crore)				Depreciation (Rs In Crore)				Net Block (₹ In Crore)		
	As at 1.4.2015	Additions During The Year	Adjusted During The year	Sales During The Year	As at 31.3.2016	As at 1.4.2015	For the year	Adjusted During The year	Impairment loss during The Year	As at 31.3.2016	As at 31.3.2015
LAND:											
- FREEHOLD	19.21	-	-	-	19.21	-	-	-	-	19.21	19.21
- LEASEHOLD	319.29	-	-	-	319.29	52.66	3.38	-	-	263.25	266.63
BUILDING	1,818.85	77.74	1.80	-	1,898.38	687.25	67.31	(8.08)	-	746.48	1,131.60
LEASED PREMISES	6.53	-	-	-	6.53	1.59	0.14	-	-	4.80	4.94
LINE & WIRES	152.57	7.94	0.24	-	160.76	85.15	5.11	(0.01)	-	70.50	67.42
CABLES	7,632.19	78.70	2.59	-	7,713.48	6,042.79	183.52	0.82	-	6,227.13	1,589.41
APPARATUS & PLANT	10,094.29	343.01	(371.16)	1.60	10,064.54	7,157.17	536.89	(130.67)	(24.28)	7,539.11	2,937.13
VEHICLES	28.19	0.27	0.02	0.24	28.23	25.11	0.43	(0.19)	-	25.35	3.08
FURNITURE & FIXTURES	155.26	1.32	0.12	0.01	156.69	134.82	4.57	0.59	-	139.98	20.44
OFFICE MACHINERY & EQUIPMENTS	37.18	0.37	(0.10)	0.00	37.45	34.62	0.54	(0.10)	-	35.07	2.56
ELECTRICAL APPLIANCES	151.60	0.19	(0.15)	0.00	151.64	132.04	3.52	(0.10)	-	135.47	19.55
COMPUTERS	309.71	1.67	(0.78)	-	310.60	266.85	17.23	(3.65)	-	280.43	42.86
ASSETS SCRAPPED / DECOMMISSIONED	8.43	32.79	(35.91)	-	5.30	-	-	-	-	5.30	8.43
TOTAL	20,733.29	543.99	(403.34)	1.85	20,872.09	14,620.05	822.64	(141.38)	(24.28)	15,277.03	6,113.24
Previous Year	20,269.14	582.25	(116.65)	1.45	20,733.29	13,701.78	844.97	56.11	17.19	14,620.05	-

Notes:

1. Additions during the year include adjustments on account of value difference, spill over cost etc identified during the year in respect of existing fixed assets
2. Foreign Currency Translation difference on assets is included in adjustment column above.
3. Depreciation on the assets of continuing operations is ₹ 1150.97 Cr and for discontinuing operations is ₹12.34 Cr
4. Depreciation of ₹ 49.09 Crore on account of component of assets, whose useful life is already exhausted before 01.04.2015, has been adjusted against opening retained earnings and included in adjustments above.

NOTE - 12A INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Crore)				Amortisation (₹ In Crore)				Net Block (₹ In Crore)		
	As at 1.4.2015	Additions During The Year	Adjusted During The year	Sales During The Year	As at 31.3.2016	As at 1.4.2015	For the year	Adjusted During The year	Impairment loss during The Year	As at 31.3.2016	As at 31.3.2015
APPLICATION SOFTWARE	131.37	1.84	-	-	133.21	58.29	12.12	-	-	70.41	73.08
3G & BWA LICENCE FEES	6,567.50	-	-	-	6,567.50	2,184.11	328.55	-	-	2,512.66	4,383.39
TOTAL	6,698.87	1.84	-	-	6,700.71	2,242.40	340.67	-	-	2,583.07	4,456.47
Previous Year	6,698.74	0.13	-	-	6,698.87	1,901.91	340.49	-	-	2,242.40	-

NOTE - 13A
CAPITAL WORK IN PROGRESS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Buildings	5.04	3.78
Apparatus & Plants	21.53	40.67
Lines & Wires	3.05	3.16
Cables	53.86	57.52
Subscribers Installations	15.26	27.52
Air Conditioning Plants	6.17	1.42
Less: Provision for Abandoned Works	(2.86)	0.00
Total	102.05	134.07

NOTE - 14A
NON CURRENT INVESTMENTS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
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, four instalments of ₹20 crore each were due in 2012-13, 2013-14, 2014-15 and 2015-16 but still not received.	-	20.00
Total	-	20.00
Particulars	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	-	-
Aggregate amount of unquoted investments	-	20.00
Total	-	20.00

NOTE - 15A
LONG TERM LOANS AND ADVANCES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
SECURED, CONSIDERED GOOD		
Advances to employees		
(i) Housing Loan	20.08	28.83
(ii) Vehicle Loan	0.49	0.79
(iii) Other Loans	0.06	0.08
UNSECURED, CONSIDERED GOOD		
Capital Advance	2.27	2.28
Deposits with other Govt. Deptt. / Companies	134.42	35.22
Cenvat	1.87	5.67
Amount recoverable from DoT	7,998.43	8,248.51
Others		
Advance Taxes		
Income Tax	993.40	1,524.25
Less: Provision for income tax	(410.36)	(937.06)
	583.03	587.19
FBT	254.31	273.71
Less: Provision for FBT	-	(25.75)
	254.31	247.97
UNSECURED, CONSIDERED DOUBTFUL		
Deposits with other government departments	20.08	15.70
Amount recoverable from DoT	0.01	0.01
Total	20.08	15.71
Less:		
Provision for Doubtful Deposits/ Advances	20.08	15.71
Total	8,994.97	9,156.52

NOTE - 16A
OTHER NON CURRENT ASSETS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
SECURED, CONSIDERED GOOD		
Interest accrued on deposit	2.09	0.96
Interest accrued on loans and advances	53.47	66.76
Bank deposits (with more than 12 months maturity)*	0.03	7.30
UNSECURED, CONSIDERED GOOD		
Receivable from BSNL	5,111.60	4759.65
UNSECURED, CONSIDERED DOUBTFUL		
Receivable from DOT	1.39	1.39
Receivable from BSNL	6.22	6.22
OTHERS		
Balance with bank**	0.33	0.33
Others	-	0.23
Less:		
Provision for other non current assets	7.61	7.61
Total	5,167.51	4,835.23

* includes ₹0.03 crore (₹7.30 crore) under lien

** under lien on court directions

NOTE - 17A
CURRENT INVESTMENTS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Investment in ITI Preference shares (Unquoted)	100.00	80.00
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, four instalments of ₹20 crore each were due in 2012-13, 2013-14, 2014-15 and 2015-16 but still not received.		
Less: Provision for doubtful recovery of investment	100.00	60.00
Total	-	20.00

Particulars	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	100.00	80.00
Total	100.00	80.00

NOTE - 18A
INVENTORIES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Lines and Wires	4.46	5.38
Cables	34.31	46.63
Exchange Equipment	29.88	31.53
WLL Equipments	0.08	0.08
Telephone & Telex Instrument	27.02	42.59
WLL Instruments	15.83	15.68
Telephone & Telex Spares	0.10	0.10
Mobile Handset & Sim cards	3.25	3.76
Total	114.92	145.75
Less:		
Provision for obsolete stores	46.12	47.97
Total	68.80	97.79

NOTE - 19A
TRADE RECEIVABLES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
UNSECURED		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
Considered Good	195.25	146.21
Considered Doubtful	9.15	8.55
(b) OUTSTANDING FOR OVER SIX MONTHS		
Considered Good	119.74	118.77
Considered Doubtful	759.60	756.93
Total	1,083.74	1,030.46
Less:		
Provision for Doubtful Debts	742.93	728.73
Provision for Wrong Billing	0.65	0.45
Total	340.16	301.28

Secured to the extent of security deposits to the tune of ₹ 566.50 crore (₹ 580.26 crore) which are under reconciliation.

NOTE - 20A
CASH AND CASH EQUIVALENTS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Balances with banks	160.43	81.24
Cheques/ Drafts in hand	1.43	2.75
Cash in hand	0.46	1.19
Bank deposits (with less than 1 year maturity)	31.61	14.91
Total	193.92	100.09
Less:		
Provision for doubtful bank balances	1.13	1.13
Total	192.79	98.96

NOTE - 21A
SHORT TERM LOANS AND ADVANCES

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
OTHER LOANS & ADVANCES		
(1) To EMPLOYEES		
Secured, Considered good		
(i) Housing Loan	8.70	12.62
(ii) Vehicle Loan	0.28	0.37
(iii) Other Loans	0.01	0.04
Unsecured, Considered good; Festival, TA, LTC, Medical etc advances	52.37	0.40
(2) To OTHERS		
Unsecured, Considered good		
(i) Contractors	23.27	23.47
(ii) Advance payment of Taxes		
(a) Income Tax	38.09	11.54
(iii) Prepaid expenses	61.57	54.24
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - IUC operators	4.58	4.52
(b) Service Tax Recoverable - others	149.11	144.16
(c) Cenvat Credit	119.05	114.43
(v) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	67.17	79.73
(b) DoT	109.27	110.13
(c) Others	625.89	656.70
UNSECURED, CONSIDERED DOUBTFUL		
Festival, TA, LTC, Medical etc advances	0.01	0.01
Contractors	5.95	5.95
Others	84.76	80.79
Total	1,350.09	1,299.10
Less:		
Provision for Doubtful Claims/ Advances	90.73	86.76
Total	1,259.36	1,212.34

NOTE - 22A
OTHER CURRENT ASSETS

	As at 31.3.2016 (₹ in Crore)	As at 31.3.2015 (₹ in Crore)
Interest accrued on deposits	0.45	0.47
Interest accrued on loans and advances	15.73	14.98
Interest accrued on Income Tax Refund	43.41	64.59
Income Tax Receivables	60.63	169.30
Unbilled Revenue	189.78	194.90
Other Current Assets	2.36	-
Total	312.36	444.24
Less:		
Provision for Doubtful Claims/ Advances	-	-
Total	312.36	444.24



NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2016

**NOTE - 23A
NET REVENUE FROM OPERATIONS**

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
(a) Revenue from Sale of Services		
FIXED TELEPHONE:		
Fixed Monthly Charges	570.56	568.44
Calls & Other Charges	452.81	524.00
Franchisee Services	24.35	31.08
Rent & Junction Charges- Others	85.41	93.44
Access Calls & Other Charges- Others	26.68	88.29
IPTV	0.00	0.02
Broadband	859.63	833.85
VCC	0.72	1.04
Circuits- Local	359.69	326.66
Circuits- Long Distance	18.31	33.66
ISDN - Fixed Monthly Charges	48.09	46.53
ISDN- Call Charges	37.56	36.91
MOBILE SERVICES:		
Interconnection Charges	70.15	88.24
Cellular- Fixed & Call Charges	117.42	123.11
Income from Roaming	215.39	265.35
Pre- paid income	259.57	282.14
Activation Charges	0.20	0.12
VAS	60.38	42.33
OTHER SERVICES:		
Internet	15.10	15.74
Free Phone	61.96	61.11
Premium Rate Services	0.27	0.31
Miscellaneous	6.42	7.05
(b) Other operating revenues		
Revenue from enterprise business	0.06	0.22
Surcharge on delayed payments	12.82	13.36
Others	-	10.99
Total	3,303.55	3,493.99

NOTE - 24A
OTHER INCOME

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
INTEREST		
(i) From Bank	2.77	2.87
(ii) From Employees	5.16	6.49
(iii) From Others	-	-
(iv) From Income Tax Refunds	3.68	24.82
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	0.13	0.30
Profit on sale of assets	0.20	0.41
Liquidated damages	6.59	6.58
Foreign Exchange Fluctuation Gain	0.53	0.40
Bad Debts Recovered	0.14	0.50
Excess Provision Written back	61.78	76.07
Rent on Quarters/ IQs/ Hostels & other services	9.14	10.06
Rental income from properties	136.72	112.11
Excess Liability Written back	-	134.82
Others	90.97	35.73
Total	317.80	411.16

NOTE - 25A
EMPLOYEE BENEFITS

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Salary, Wages & Other Benefits	2,391.65	2,385.29
Bonus/ Exgratia	(0.00)	0.01
Medical Expenses/ Allowances	86.69	91.68
Leave Encashment		
(i) Company Employees	167.29	121.25
(ii) Others	0.54	0.61
Pension Contribution		
(i) Company Employees	123.03	130.94
(ii) Others	0.92	1.10
Contribution to CPF	66.26	65.88
Gratuity	(0.00)	26.67
Staff Welfare Expenses	0.35	0.50
Others	0.54	0.26
Total	2,837.25	2,824.19
Less:		
Allocation To Capital Work in Progress	195.90	189.75
Total	2,641.36	2,634.44

NOTE -26A
REVENUE SHARING

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Revenue Sharing	266.95	385.92
Total	266.95	385.92

NOTE -27A
LICENCE FEES

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Licence Fees	201.41	236.36
Total	201.41	236.36

NOTE -28A
ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	For the year ended 31.3.2015 (₹ in Crore)	For the year ended 31.3.2014 (₹ in Crore)
Power, Fuel & Water	291.88	283.85
Rent	92.38	91.56
Lease Rentals	0.03	0.03
REPAIRS & MAINTENANCE		
(1) Building	20.97	24.58
(2) Plant & Machinery	122.14	126.93
(3) Others	31.45	27.63
Seminar & Training Charges	2.68	1.97
Insurance	5.43	4.80
Rates & Taxes	54.05	45.14
Travelling Expenses	0.69	0.65
Postage & Courier	9.36	9.65
Printing & Stationery	7.17	8.01
Vehicle Expenses		
(i) Maintenance	0.73	0.82
(ii) Running	1.98	2.34
(iii) Hiring	8.37	7.93
Commission paid to Franchisee Services	26.78	29.74
Commission paid to Recovery Agents	-	-
Advertising/ Business Promotion Expenses	4.24	5.95

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Foreign Exchange Fluctuation Loss	0.09	1.19
Provision for Doubtful Debts	44.71	27.27
Provision for Doubtful Recovery of Investment	40.00	20.00
Provision for Wrong Billing	0.26	0.45
Provision for Obsolete Store/ Claim	2.08	0.96
Bad Debts Written Off	34.12	28.77
Professional & Consultancy Charges	4.16	5.29
Internet Charges	18.28	28.17
Loss On Sale Of Assets	1.58	3.82
Loss of Assets (Other than on sale)	3.20	12.78
Loss on impairment of Assets (CDMA)	(0.00)	17.19
Spectrum Charges (WLL)	(0.00)	0.31
Spectrum Charges (MS)	34.86	49.31
Interest on Customer's Deposits	0.38	0.39
Provision for Doubtful Advances	1.37	2.86
Miscellaneous Expenses	76.88	70.70
Total	942.30	941.06
Less:		
Allocation To Capital Work In Progress	35.21	28.45
Total	907.09	912.61

NOTE - 29A

DEPRECIATION & AMORTIZATION EXPENSES

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Depreciation	810.30	817.35
Amortization 3G	328.20	328.20
Amortization others	12.47	12.29
Total	1,150.97	1,157.84

NOTE - 30A

FINANCE COST

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Interest On Bonds	271.73	271.38
Interest On Loan	995.52	1,104.88
Commitment Fees	29.80	29.74
Interest On Income Tax	-	29.57
Other Borrowing Costs	0.05	4.53
Total	1,297.09	1,440.10

NOTE - 31A
INCOME TAX EXPENSE

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
Current Tax/ (MAT)	0.48	0.25
Deferred Tax	(0.02)	2.59
Tax Adjustment For Earlier Year	(492.26)	-
Total	(491.80)	2.84

NOTE - 32A
PRIOR PERIOD ITEMS

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
PRIOR PERIOD ITEMS (DEBIT)		
Salaries etc.	1.31	-
Power & Fuel	0.69	-
Rent	(1.16)	-
Repair to Plant & Machinery	2.29	-
Depreciation	(27.88)	19.72
Licence Fee	-	1.28
Others	6.92	5.17
LESS:-		
PRIOR PERIOD ITEMS (CREDIT)		
Income From Telephone	7.51	(0.00)
Excess Provision Written Back (Income Tax)	0.02	-
Rates & Taxes	(0.89)	1.98
Pension/ Gratuity payout recoverable from DoT	-	32.60
Others	-	1.21
Total	(24.48)	(9.62)

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

	For the year ended 31.3.2016 (₹ in Crore)	For the year ended 31.3.2015 (₹ in Crore)
(a) As Auditor	0.43	0.41
(b) For Taxation Matters	0.08	0.08
(c) For Other Services	0.20	0.19
(d) For Reimbursement of Expenses	0.11	0.11
Total	0.81	0.79

Note 34 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".

3. Contingent Liabilities

	Particulars	2015-16	2014-15
(a)	Income Tax Demands disputed and under appeal	579.25	774.87
(b)	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	456.14	478.90
(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	3227.18	3227.18
(e)	Pending arbitration/court cases	1495.69	1113.43
(f)	Bank guarantee & Letter of Credit	118.14	110.60
(g)	Directory dispute	49.04	285.83
(h)	Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution.	173.81	173.81

(i)	Pending court cases against land Acquisition	4.61	4.61
(j)	License Fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36	140.36
(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	19.91	19.41

4. Estimated amount of contracts remaining to be executed on capital account is 12.85 crore (₹13.35 crores). In respect of incomplete contracts where the expenditure already incurred has exceeded the contract value, the additional expenditure required to complete the same cannot be quantified.

5. 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 effected.

6. Department of Telecommunications (DOT) 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 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. DOT 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. Further MTNL has also surrendered CDMA spectrum w.e.f. 28.02.2016.

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 sub judice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts as the amount is totally indeterminable. However the contingent liability of ₹3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM.

7. 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 F.Y. 2011-12. As per the directions of Supreme Court given earlier in respect of calculation of License Fees and AGR the matter was referred back to TDSAT. TDSAT vide its judgment dated 23.04.2015 set aside the impugned demands of DOT and DOT was directed to rework the license fee in the light of their findings. However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement.

The issue of deduction claimed in AGR upto F.Y. 2011-12 in respect of revenue sharing on netting basis with BSNL has been taken up with DOT and BSNL while paying License Fees on actual payment basis

from 2012-13 onwards. The impact of ₹140.36 crores on this account upto the year 2011-12 has been shown as contingent liability.

8. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to Rs.100 crores during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in five equal installments.

Accordingly, five installments amounting to Rs.20 crores each, aggregating to ₹100 crores 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. 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. Further DOT has also been reminded to issue directions to M/S ITI to redeem Preference Share capital and make repayment vide letter no.MTNL/CO/GM (BB & IA)/ITI Inve/2013-14 dated 06.05.2015, 21.07.15, 27.08.15 and 29.01.16. Further a proposal for conversion of above cumulative Preference Shares to Equity Shares of ITI was given by ITI vide its letter no.K/B3/Pref-Shares/2016 dated 20.01.16 but the same was regretted by MTNL and communicated to ITI to pay the due amount at the earliest vide letter no. MTNL/CO/GM(BB&IA)/ITI Investment/2013-14 dated 09.02.2016. The installments which were due in 2012-13, 2013-14, 2014-15 and 2015-16 have not been paid and necessary provision for the overdue installments as well as for that due in 2016-17 has been made since although 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) no payment is forthcoming till date and above developments.

9. 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 ₹400.33 crores (₹400.33 crores) for this claim for the financial years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to ₹345.72 crores (₹345.72 crores) 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 80-IA of Income Tax Act, 1961.

b) Income Tax receivable include appeal effect of ₹101.54 crores pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of ₹ 60.30 crores and interest accrued thereon amounting to ₹41.24 crores.

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. The company is in the process of compilation of tax records on yearly basis and reconciliation thereof with the financial records.

10. Lives of certain fixed assets have been revised consequent upon the changes in useful life In line with the Notification No. G.S.R. 627(E) dated 29th August 2014 issued by Ministry of Corporate Affairs regarding identification of the components having significant cost and/or separate useful life than the main asset and to determine the useful life of that component separately, Company has exercised the option to implement the same during the F.Y. 2015-16. Depreciation of ₹49.09 crores on account of assets/component of assets, whose useful life is already exhausted before 01.04.2015, has been adjusted against opening retained earnings.

11. Litigations:

- a) The 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 & Delhi invoked Bank Guarantees on 09.04.1996, 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 and on 31.07.2013 in favor of MTNL, Delhi. 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 & Delhi High Courts against the arbitration awards and MTNL also approached the Bombay & Delhi High Courts for balance amount due.

The claim of ₹49.04 crores on this account has been shown as contingent liability in Delhi unit.

- b) As per directions of the Hon'ble Delhi High Court one UASL operator had paid to MTNL, Mumbai ₹124.93 crores and ₹.33.99 crores in 2004-05 and 2005-06 respectively against the claim of ₹158.92 crores. The company has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for refund of ₹96.71 crores. 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. MTNL filed review application which had been disposed off by Hon'ble TDSAT vide order dated 27.05.2014 on which MTNL filed CWP no.022764 dated 16.07.2014 in Hon'ble Supreme Court and the same is pending. Meanwhile UASL operator also filed appeal in Hon'ble Supreme Court.

The claim of ₹96.71 crores on this account has been shown as contingent liability.

- c) 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 ₹20.82 crores.

In the opinion of the management, there is remote possibility of the case being settled against MTNL.

- d) In respect of Mobile Services Delhi, a sum of ₹25.89 crores (₹25.89 crores) 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. The matter was handed over to the committee for investigation. Subsequently M/S TCL filed a case in Hon'ble TDSAT for recovery of the amount, decision for which is awaited.

The claim of ₹25.89 crores on this account has been shown as contingent liability.

In addition, the company is subject to legal proceedings and claims, which have arisen in the ordinary course of business. The company's management perceives that these legal actions, when ultimately concluded and determined, will not have any material impact on the company's financial statements.

12. Settlements with BSNL:

- a) The amount recoverable from BSNL is ₹5117.82 crores (₹4765.87 crore) and amount payable is ₹2019.43 crores (₹2003.63 crores). The net recoverable of ₹3098.39 crores (₹2762.24 crores) is subject to reconciliation and confirmation.
- b) Certain claims of BSNL on account of Signaling charges ₹21.93 crores (₹21.93 crores), Transit tariff ₹25.19 crores (₹25.19 crores), MP Billing ₹6.01 crores (₹6.01 crores), Service Connections ₹40.15 crores (₹40.15 crores), IUC ₹10.14 crores (₹10.14 crores) and IUC from Gujrat Circle ₹1.11 crore (₹1.11 crore) 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 ₹9.80 crores (₹9.80 crores) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹31.27 crores (₹31.27 crores), since no details / justifications are received till date from BSNL in spite of repeated persuasion. The balance amount of ₹21.47 crores (₹21.47 crores) is shown as contingent liability.

13. Subscribers' dues and deposits:

- a) The total balance in the Subscribers' Deposit Accounts, in all the units, is to the tune of ₹563.31 crores (₹577.12 crores). Out of this, balance in Delhi Unit amounting ₹283.87 crores (₹288.03 crores) is under reconciliation.
 - b) Interest Accrued and Due on the aforesaid subscriber deposit accounts to the tune of ₹0.11 crores (₹0.13 crores) is subject to reconciliation with the relevant subsidiary records in Delhi unit.
 - c) Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹13.79 crores (₹10.43 crores), 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.
14. The amounts of receivables and payables (including NLD / ILD Roaming operators) are subject to confirmation and reconciliation.
15. 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 received in the bank from other operators for varying periods. The collection received from the operators are matched in totality against the total bill wise but in MTNL Delhi unit, 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, the roaming debtors are reconciled in totality in the absence of detailed information and such reconciliation is being done on regular basis.

16. Settlements with DOT:

- a) Amount recoverable on current account from DOT is ₹8109.09 crores (₹8360.03 crores) and amount payable is ₹49.42 crores (₹45.71 crores). The net recoverable of ₹8059.67 crores (₹8314.32 crores) is subject to reconciliation and confirmation. 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.
 - b) Deposits from applicants and subscribers as on 31st March, 1986 were ₹81.32 crores (₹81.32 crores) in Mumbai unit as intimated provisionally by DOT. At the year end these deposits amounted to ₹103.28 crores (₹103.28 crores), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31st March, 1986. Balance on this account still recoverable from DoT is ₹55.85 crores (₹55.85 crores).
 - c) The total provision for Leave Encashment is ₹1091.05 crores up to 31.3.2016 (₹1038.43 crores). Out of this, an amount of ₹65.37 crores (₹65.37 crores) and ₹43.37 crores (₹43.37 crores) is recoverable, from DOT in respect of Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.
 - d) An amount of ₹1946.56 crores (₹1790.76 crores) towards GPF contribution is recoverable from DOT as on 31.3.2016. 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.
17. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary in nature.
 18. There is no indication of any impairment of assets of the Company, on the basis of the company as a whole as a CGU under Accounting Standard 28.
 19. During the financial year 2014-15, UTL, Nepal has called for 9th and 10th tranches of share holding subscription firstly from Joint venturers and on refusal by joint venturers other than NPVL (Local venturer) the second call for subscription was offered to NPVL which had made payment of the same. Pending the approval of office of Companies Registrar (OCR) Nepal, the received paid up capital amounting to INR 33,93,75,000 has been shown as unallocated and accordingly the share holding pattern remains unchanged as at 31.3.2016. Therefore the consolidation of accounts of UTL with MTNL's accounts has been done on the basis of existing share of MTNL i.e. 26.68%.
 20. MTML (fully owned subsidiary of MTNL) has got incorporated two subsidiaries Viz. MTML Data Limited and MTML International Limited during the financial year 2014-15 and their accounts have also been consolidated with MTNL's accounts.
 21. The consolidation of accounts of Joint ventures and subsidiaries has been done on the basis of audited accounts except in case of UTL, Nepal. Closing date being 26.07.2016 of UTL's accounts, the unaudited results of UTL have been compiled.
 22. There is no delay in transferring amount, required to be transferred, to Investor Education and Protection Fund by the company.
 23. The Company has no foreseeable losses, which requires provision under applicable laws or accounting standards on long-term contracts and not dealing into derivative contracts at all.
 24. Company has incurred a loss of ₹2012.24 crores during the year under report. Although the net worth continues to be positive at the end of the year, considering the negative net worth resulted at the end of



3rd quarter of the year under report and also the positive net worth at the end of the year being not that tangible, the management has made an assessment of an entity's ability to continue as a going concern. The company has taken up a VRS proposal with the Govt., in the current financial year for voluntary retirement of around 5312 employees of all grades going to retire in next 10 years to reduce the legacy staff costs inherited on account of absorption of employees recruited under government w.e.f. 1-11-1998 and also on 1-10-2000, which has been under active consideration of Govt. of India. On approval and implementation of the scheme, the company is likely to reduce the staff expenses which will help the company to reduce its costs and thereby losses. Besides, the Company has taken for monetization of the lands and buildings of the company which is also under consideration of the Govt. In addition to this, the case for approval for sovereign guarantee cover of ₹5500 crores has also been sent to the Government for the purpose of swapping of long term and short term loans by issuance of Govt. Guaranteed bonds. This debt restructuring would bring down the finance costs. All these cases are under consideration of the Govt. Besides, the CMTS License which was earlier valid up to 10-10-2017, the validity is revised by Govt. up to 5-4-2019 which facilitates the continuation of services without any additional upfront Spectrum cost till the year 2019. All these aspects are considered by the management while preparing the financial statements, and an assessment of an entity's ability to continue as a going concern is made accordingly.

25. Figures have been rounded off to the nearest crore. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.
26. The notes to accounts of the Standalone Financial Statements of the company, which are considered material for Consolidated Financial Statements, have been reproduced with Consolidated Financial Statements.

(S. R. Sayal)
Company Secretary

(K. A. Sarma)
DGM(A/cs)

(P. K. Purwar)
Director (Finance)

(N. K. Yadav)
Chairman & Managing
Director

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

V.K. Dhingra
(Partner)
Membership No. 014467

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

R.K. Mehra
(Partner)
Membership No.006102

Place : New Delhi
Date : 30.05.2016



MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Cash Flow Statement for the year ended 31st March, 2016

	2015-16 (₹ in Crore)	2014-15 (₹ in Crore)
A. Cash Flow from Operating Activities		
Net profit/ (loss) before Tax	(2,527.56)	(2,907.33)
Adjustment for:		
Prior period adjustment (net)	(3.36)	29.34
Depreciation adjustment due to revision of useful life	(49.09)	(79.95)
Profit on sale of fixed assets	(0.20)	(0.41)
Loss on sale of fixed assets	1.58	3.82
Depreciation & Amortisation	1,163.32	1,185.46
Finance Cost	1,335.60	1,440.10
Interest Income	(11.61)	(34.60)
Foreign Exchange Loss	8.96	(10.88)
Operating cash profit/ (loss) before working capital changes	(82.36)	(374.46)
Adjustment for:		
Trade and other receivables	(128.64)	(223.49)
Inventories	28.99	(25.84)
Trade and other payables	8.32	(161.66)
Cash generated from operations	(173.69)	(785.47)
Direct Taxes paid/adjusted (Net)	461.33	(381.55)
Net Cash Flow from Operating Activities	287.64	(1,167.02)
-Net Cash Flow from Operating Activities of Continuing Operations	(79.12)	(1,149.22)
-Net Cash Flow from Operating Activities of discontinuing Operations	366.76	(17.80)
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including capital WIP)	(510.21)	(298.67)
Sale of Fixed Assets	262.42	170.79
Interest received	44.24	21.21
Investment	0.00	0.00
Net Cash Flow from Investing Activities	(203.54)	(106.67)
-Net Cash Flow from Investing Activities of Continuing Operations	(203.54)	(107.09)
-Net Cash Flow from Investing Activities of discontinuing Operations	-	0.42
C. Cash Flow from Financing Activities		
Proceeds from borrowings	1,324.78	2,481.64
Finance Charges (including interest) paid	(1,329.71)	(1,381.15)
Share Application Money	14.67	9.05
Net Cash Flow from Financing Activities	9.74	1,109.54
-Net Cash Flow from Financing Activities of Continuing Operations	48.27	1,109.54
-Net Cash Flow from Financing Activities of discontinuing Operations	(38.53)	-
D. Net Increase/ (Decrease) in Cash and Cash Equivalent	93.83	(164.14)
Cash and Cash equivalent as at the beginning of the year	98.96	263.10
Cash and cash equivalent as at the end of the year	192.79	98.96
Cash and cash equivalent as at the end of year represented by		
Cash in hand (including cheques/drafts in hand)	1.88	3.94
Balance with bank in current account (net of provisions)	159.30	80.11
Balance with bank in Fixed Deposit account	31.61	14.91
TOTAL	192.79	98.96

Note:- 1. Previous year figures have been regrouped/rearranged/reclassified wherever necessary
in terms of our report of even date attached

For V. K. Dhingra & Co.

Chartered Accountants

FRN: 000250N

Sd/-

(V.K. Dhingra)

(Partner)

M.No: 014467

Place : New Delhi

Date : 30th May, 2016

For Mehra Goel & Co.

Chartered Accountants

FRN: 000517N

Sd/-

(R.K. Mehra)

(Partner)

M.No: 006102

(S.R.Sayal)

Co. Secy.

Sd/-

(P. K. Purwar)

Director (Finance)

(K. A. Sarma)

DGM (Accounts)

Sd/-

(N. K. Yadav)

Chairman & Managing Director



Annexure to Director's Report

MTNL Audit Qualifications on Standalone Financial Statements of 2015-16

Sr. No.	Auditors Report	Reply of the Management
1	<p>The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3098.39 crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company.</p>	<p>Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. In addition the matter has been taken up with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books for the year 2015-16. The claims pertaining to 2013-14 & some of the claims of 2014-15 have been mutually settled already and the process of settlement under DOT guidance has commenced. As such the issue of settlement is under progress.</p> <p>In view of above the impact is not assessable at this stage and on reconciliation, the same may not be material.</p>
2	<p>The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 8059.67 crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the Company</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the recoverable amount of Rs 8109.09 crores includes the GPF (RS 1946.56 Crs), Excess pension paid from 1-10 2000 (Rs1179.36 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.7659.89 crores identified and acknowledged for settlement. In addition requests have been made to DOT, for reconciliation and confirmation of balance claims as per MTNL books of accounts.</p> <p>In view of above the impact is not assessable.</p>
3	<p>Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of Rs. 140.36 crores instead of actual liability resulting in under statement of current liabilities and under statement of loss to that extent.</p>	<p>The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed with BSNL. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF) DOT has initiated process of reconciliation which is expected to be completed soon.</p>

4	<p>The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, the same results into overstatement of capital work in progress/ fixed assets and under statement of loss. The actual impact of the same on the financial statements for year is not ascertained and quantified.</p>	<p>As regards the allocation of over heads in line with AS-10, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However MTNL has already appointed a consultant to get the old policy reviewed and on receipt of his final report necessary further action will be taken to bring it more aligned to the company act 2013 related rules and also AS-10. As regards the allocation of overhead MTNL has already appointed M/s Rawla & Co. Chartered Accountant as consultant for advising the more scientific policy on allocation of overheads which is expected to be completed in the current financial year .</p> <p>In view of above the impact is not assessable.</p>
5	<p>Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to AS-28 "Impairment of Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.</p>	<p>The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2016 there is no impairment loss and there are also no specific indicators of such loss. Occurrences of losses is although an indicator for impairment testing in case of assets, but in the present case the lossess is on account of legacy issue viz. legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. The testing is being done at the end of each year and there is no impairment according to the company's understanding.</p> <p>In view of above the impact is not assessable.</p>
6	<p>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</p>	<p>Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is not needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process, there is no impact otherwise and wherever necessary adjustments are also made. Although no specific confirmation is taken all the bills issued by company show outstanding including details of such outstanding</p>

		old bills to subscriber as part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate debtors/receivables. As regards payables the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arise as it is as per contractual obligations. In view of above the impact is not assessable.
7	Dues from the operators are not taken into account for making provision for doubtful debts. Also in respect of Delhi Unit, no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified	<p>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.</p> <p>The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses.</p> <p>In view of above the impact is not assessable..</p>
8	<p>(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</p> <p>(b) Unlinked credit of Rs. 13.79 crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated.</p>	<p>(a) The reconciliation is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process.</p> <p>In view of above the impact is not assessable.</p> <p>(b) The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary.</p> <p>In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time.</p>
9	In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified.	Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a

		<p>continuous and perennial basis and also no irregularity has been noticed on this account till date there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit.</p> <p>In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time at Delhi unit. While Mumbai unit has already completed it. As such there is no such possibility for quantification and on materiality aspect also there is no issue. In view of above the impact is not assessable.</p>
10	<p>Fixed assets are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalised 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 and as a result of such review the WIP has been reduced to Rs.102.02 crs as at 31-3-16 compared to Rs. 133.48 crs as at 31-3-15.</p> <p>In view of above the impact is not assessable.</p>
11	<p>Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the financial statements cannot be ascertained and quantified.</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification.</p> <p>In view of above the impact is not assessable.</p>
12	<p>Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.</p> <p>As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 crores on account of rectification of actual usage.</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA.D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or</p>

	<p>Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallisation of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 crores has been disclosed as contingent liability.</p> <p>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.</p>	<p>retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM.</p> <p>The issue is under litigation in respect of other operators and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt.</p> <p>In view of above the impact is not assessable.</p>
13	<p>Other current assets include claim of Income tax refund for F.Y. 1999-2000 of Rs. 101.54 crores arising from pending appeal effect / rectification under Section 154 of Income Tax Act, 1961 by income tax department. This includes tax amount of Rs. 60.30 crores and interest accrued thereon amounting to Rs. 41.24 crores. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.</p>	<p>Cases is decided by tax department in the month of June 2016 and refund order of Rs. 112.96 crores and the payment against the sum of amount in dispute of Rs. 101.54 crores has been issued by tax authorities.</p> <p>In view of above the qualifications stands attended to.</p>
14	<p>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</p>	<p>The reconciliation of liability spread over from 2006-07 to 2012-13 is under process and is expected to be completed at the earliest and on completion of reconciliation the liability not required to be maintained, if any, will be adjusted .</p> <p>In view of above the impact is not assessable.</p>



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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

क्रमांक Report-PSU A/cs./F-116MTNL/2015-16/235
No.

Dated : 08/08/2016

To

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

Subject: Comments of The Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of Mahanagar Telephone Nigam Limited (Consolidated) for the year 31st March, 2016.

Sir,

I am to forward herewith 'Nil Comments' certificate under Section 143(6)(b) of the Companies Act, 2013 on the annual accounts of MTNL (Consolidated) for the year ended 31st March, 2016 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/-
(P.K. Tiwari)
Director General of Audit (P&T)

Encl(s): As above



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) READ WITH SECTION 129(4) OF THE COMPANIES ACT, 2013 ON THE CONSOLIDATED FINANCIAL STATEMENTS OF MAHANAGAR TELEPHONE NIGAM LIMITED FOR THE YEAR ENDED 31ST MARCH, 2016.

The preparation of consolidated financial statement of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31st March, 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditors appointed by the Comptroller and Auditor General of India under section 139(5) read with section 129(4) of the Act are responsible for expressing opinion on the financial statements under section 143 read with section 129(4) of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit report dated May 30, 2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31st March, 2016. We conducted the supplementary audit of the financial statement of Mahanagar Telephone Nigam limited and issued comments to the Company but we did not conduct a supplementary audit of the financial statements of Mahanagar Telephone Mauritius Limited (wholly owned subsidiary of the company) and MTML Data Ltd. & MTML International Ltd. (Step down subsidiaries), United Telecom Limited & MTNL STPI IT Services Ltd. (jointly controlled entities) while certified accounts of Millennium Telecom Limited was not received for the year ended on that date. **Further, section 139(5) and 143(6)(b) of the Act are not applicable to Mahanagar Telephone Mauritius Limited (wholly owned subsidiary of the company) and MTML Data Ltd. & MTML International Ltd. (Step down subsidiaries), United Telecom Limited & MTNL STPI IT Services Ltd. (jointly controlled entities) under the respective laws, for appointment of their Statutory Auditor nor for conduct of supplementary audit. Accordingly, C&AG has neither appointed the Statutory Auditors nor conducted the supplementary audit of these companies.** This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of some of the accounting records.

On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report.

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

Place: New Delhi

Date: 08-08-2016

Sd/-
(P.K. Tiwari)
**Director General of Audit
Post and Telecommunication**



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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

क्रमांक
Report-PSU A/cs./F-116/MTNL/2015-16/235
No.

Dated : 08/08/2016

To

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

Subject: Comments of The Comptroller and Auditor General of India under Section 143(6)(b) of the Companies Act, 2013 on the accounts of Mahanagar Telephone Nigam Limited (MTNL) for the year 31st March, 2016.

Sir,

I am to forward herewith the comments of the Comptroller and Auditor General in India under Section 143(6)(b) of the Companies Act, 2013 on the annual accounts of MTNL for the year ended 31st March, 2016 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/-

(P.K. Tiwari)

Director General of Audit (P&T)

Encl(s): As above



COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013 ON THE FINANCIAL STATEMENTS OF MAHANAGAR TELEPHONE NIGAM LIMITED, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2016.

The preparation of financial statements of Mahanagar Telephone Nigam Limited, New Delhi for the year ended 31 March 2016 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is statement to have been done by them vide their Audit Report dated May 30 2016.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Mahanagar Telephone Nigam Limited, New Delhi for the year ended 31 March 2016. This supplementary audit has been carried out independently without access to the working papers of the statutory auditors and is limited primarily to inquiries of the statutory auditors and company personnel and a selective examination of the some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

1 Statement of Profit and Loss

License Fee – (Note-27) ₹ 187.09 crore

A reference is invited to the Comments of Comptroller and Auditor General of India on the accounts of the company for the year ended 31 March 2015 wherein non-provision for License fees pertain to the period from 2007-08 to 2010-11 and 2012-13 demanded by Department of Telecommunication resulted in understatement of current liabilities and overstatement of profit by ₹ 590.90 crore was commented. However, the amount has not been provided even during the current year resulting in understatement of accumulated loss as well as liability by ₹590.90 crores



2. Balance Sheet

Current assets-Short Term Loans and Advances Note 21 ₹ 1240.38 crore-Deposits with Excise and Sales Tax-Cenvat Credit- ₹118.98 crore

A reference is invited to the Comments of Comptroller and Auditor General of India on the accounts of the company for the year ended 31 March 2015 wherein difference of Cenvat credit available between the service tax Returns file by the Company and the accounted in the Balance Sheet was pointed out. The same has not been reconciled even this year since against the balance of ₹14.57 crore in the Delhi Unit of the Company as per Service Tax Returns, an amount of ₹53.32 crore was shown in the Balance Sheet. This has resulted in an overstatement of Current Assets by ₹38.75 crore with a consequent understatement of losses by the same amount.

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

Place: New Delhi

Date: 08-08-2016

Sd/-
(P.K. Tiwari)
Director General of Audit
Post and Telecommunication



Comments of the Comptroller & Auditor General of India under section 143(6)(b) of the Companies Act, 2013 on the accounts of Mahanagar Telephone Nigam Limited (MTNL) for the year 31st March 2016.

Comments of CAG of India	Reply of MTNL Management
<p>1.Statement of Profit and Loss License Fee-(Note-27)Rs.187.09 crore A reference is invited to the Comments of Comptroller and Auditor General of India on the accounts of the company for the year ended 31 March 2015 wherein non-provision for License fees pertaining to the period from 2007-08 to 2010-11 and 2012-13 demanded by Department of Telecommunication resulted in understatement of current liabilities and overstatement of Profit by Rs.590.90 crore was commented. However, the amount has not been provided during the current year resulting in understatement of accumulated loss as well as liability by Rs.590.90 crore.</p>	<p>The representations in this regard is already submitted by MTNL to concerned authorities in DOT with supporting documents 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 License provisions and needs to be reviewed in view of inclusion of Internet income and other non-revenue items in the AGR of Basic service, as well as, disallowances of pass through charges paid to BSNL on netting basis. Thereafter the issue is under review by DOT. As per MTNL, there is no license fee due and pending and the issue has not yet attained finality in DOT. Therefore there is no understatement of current liabilities and overstatement of profit in this regard.</p>
<p>2 Balance Sheet Current assets-Short Term Loans and Advances Note 21 Rs.1240.38 crore- Deposits with Excise and Sales Tax-Cenvat Credit-Rs.118.98 crore A reference is invited to the Comments of Comptroller and Auditor General of India on the accounts of the company for the year ended 31 March 2015 wherein difference of Cenvat Credit available between the service tax Returns filed by the Company and the accounted in the Balance Sheet was pointed out. The same has not been reconciled even this year since against the balance of Rs.14.57 crore in the Delhi Unit of the Company as per the Service Tax Returns, an amount of Rs.53.32 crore was shown in the Balance Sheet. This has resulted in an overstatement of Current Assets by Rs.38.75 crore with a consequent understatement of losses by the same amount.</p>	<p>The work for filing of revised service tax return is under process in Delhi unit as on 31.3.2016. The "Cenvat Credit" amount for the period up to 30.06.2011 i.e. before point of taxation rules came into existence is Rs.45.03 crores which can be availed only on collection of the dues and the balance as at 31.03.2016 i.e. Rs.53.32 crores includes the above amount which pertains to the period before Point Of Taxation Rules 2011 introduced by Govt. and hence the same is although Cenvat Credit receivable but not available as on date for taking credit. The revision of the return and reconciliation of service tax issues are in progress and also auditors have already qualified the non reconciliation of service tax (Refer para no (xv) of basis of qualified opinion of auditor's report), and therefore the necessary accounting adjustment will be made post filing of service tax return. But at this stage neither there is any overstatement of assets nor understatement of losses due to pendency of reconciliation and revised return is in process of submission .</p>

Sd/-
 (P.K. Tiwari)
 Director General of Audit
 (Post and Telecommunications)

Sd/-
 P.K. Purwar
 Director Finance



Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of subsidiaries/ associate companies/ joint ventures

Part “ A ” : Subsidiaries

1.	Sl. No.:	01
2.	Name of the Subsidiary:	Millenium Telecom Limited
3.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period:	Same as Holding Company
4.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.:	Not Applicable
5.	Share capital:	Rs.2.88 crores
6.	Reserves & surplus:	Rs.1.56 crores
7.	Total assets:	Rs.6.51 crores
8.	Total Liabilities:	Rs.6.51 crores
9.	Investments:	Nil
10.	Turnover:	Rs.1.37 crores
11.	Profit before taxation:	Rs.0.44 crores
12.	Provision for taxation:	Rs.0.15 crores
13.	Profit after taxation:	Rs.0.29 crores
14.	Proposed Dividend:	Nil
15.	% of shareholding:	100%



Form AOC-I

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

1. Sl. No.:	02
2. Name of the Subsidiary:	Mahanagar Telephone (Mauritius) Limited
3. Reporting period for the subsidiary concerned, if different from the holding company's reporting period:	Same as Holding Company
4. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries:	Reporting currency-Mauritian Rupees(MUR), Exchange rate-1 INR. is 0.5395 MUR
5. Share capital:	Rs.124.88 crores
6. Reserves & surplus:	Rs.15.45 crores
7. Total assets:	Rs.165.25 crores
8. Total Liabilities:	Rs.165.25 crores
9. Investments:	NIL
10. Turnover:	Rs.101.04 crores
11. Profit before taxation:	Rs.4.93 crores
12. Provision for taxation:	Rs.0.99 crores
13. Profit after taxation:	Rs.3.94 crores
14. Proposed Dividend:	NIL
15. % of shareholding:	100%

* Investments exclude investment in subsidiaries.

1. Names of subsidiaries which are yet to commence operations: Not Applicable
2. Names of subsidiaries which have been liquidated or sold during the year: Not Applicable



Part “B” : Associates and Joint Ventures

Statement pursuant to section 129(3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures:

Name of Associate/ Joint Ventures	United Telecommu- nication Limited	MTNLSTPI IT Services Limited
1. Latest audited Balance Sheet Date	31.03.2016	31.03.2016
2. Shares of Associate/ Joint Ventures held by the company on the year end		
No.	5736200	2282000
Amount of investment in Associates/ Joint Venture	Rs. 35.85 crore	Rs. 2.28 Crore
Extend of Holding %	26.68%	50%
3. Description of how there is significant influence	Holding more than 20 % shares	Holding more than 20 % shares
4. Reason why the associate/ joint venture is not consolidated	Not applicable since already Consolidated to the extent of shareholding	Not applicable since already Consolidated to the extent of shareholding
5. Networth attributable to Shareholding as per latest audited Balance Sheet	Rs. 15.41 Crore	Rs. 3.12 Crore
6. Profit/ Loss for the year	Loss	Profit
i. Considered in Consolidation	Rs. (11.34) Crore	Rs. 0.61 Crore
ii. Not Considered in Consolidation	Rs.(31.15) Crore	Rs. 0.61 Crore

- Names of associates or joint ventures which are yet to commence operations: Not Applicable
- Names of associates or joint ventures which have been liquidated or sold during the year: Not Applicable

For and on behalf of
Mahanagar Telephone Nigam Limited

(S. R. Sayal)
Company Secretary

(K. A. Sarma)
DGM (Accounts)

(P. K. Purwar)
Director (Finance) Chairman
& Managing Director

Place: New Delhi
Date: 02.07.2016



MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

DIRECTOR'S REPORT

Dear Shareholders,

The Board of Directors of your company have pleasure in presenting the 16th Annual Report of your Company together with the Statement of Accounts and Auditors Report for the year ended on 31st March, 2016 and report as under:

FINANCIAL PERFORMANCE

During the financial year under report, your Company has registered a net profit of ₹29,45,207/- as against a Net profit of ₹12,73,000/- last year and has a reserve and surplus of ₹1,55,66,584/- as against a reserve and surplus of ₹1,51,65,381/- last year.

OPERATIONS AND STATUS OF WORK ORDERS RECEIVED SO FAR:

Millennium Telecom Ltd (MTL) is a wholly owned subsidiary of MTNL, incorporated in February 2000 under the Companies Act 1956. MTL was in loss for many years. But now it is moving ahead towards the path of revival. In 2014-15, the company turned into profit by System Integration other ICT related works at Pan India level. MTL had a profit of ₹41 lakhs approximately for the period ending 31st March 2016. MTL is in the process of winning over more orders in the upcoming years. Services being offered by MTL are Telecom & IT Consultancy, Project Management, End-to-end ICT Solutions, IT for Education and Health Sector, Skill Development & Capacity Building, Security & Surveillance, Cloud Computing, Managed Services etc. MTL is developing core capabilities by partnership model for execution of Digital India, Smart City, Skill India etc the Government of India projects.

Major Achievements of MTL: Web Hosting Services to NHAI, connectivity of 7 Toll Plazas for NHAI Data Centre, RF link to Air India, Campus wide Wi-Fi, LAN network and RF links for Central University of Haryana and Training to 1400 students in ICT at various locations in J&K funded by J&K Govt.

Many new projects in pipeline: 1) Uttarakhand Government had listed MTL as executive agency for execution of IT related projects of Uttarakhand Government. Accordingly, enquiries for work relating to IT projects are being received from different department of Uttarakhand Government. In this regard, for work of High Court Uttarakhand, MTL had submitted a techno commercial proposal (Approx. five Crores) to Registrar, High Court Uttarakhand Nainital for providing end to end solution to subordinate courts under eCourt Project. Uttarakhand Forest Development Corporation has also invited Expression of Interest (EOI) from MTL for services to design and operationalise software for e-Auction of timber. 2) MTL team is aggressively working towards generating leads for executing Wi-Fi Network projects for Hospitals and Colleges of Delhi and NCR. In this context, CMD, MTL has sent Wi-Fi Proposal to various Hospitals and educational institutes. In this regard, response has been received from various hospitals and colleges. Accordingly EOI is being floated for Rate Contract on OPEX model for managed services of Campus wide Wi-Fi. 3) Laying of underground telephone cables at INS Tanaji Mumbai, Project of Commander, INS Tanaji, Sion-Trombay Road, Mankhurd, Mumbai. 4) Introductory letter by COO-MTL Delhi sent to states like Bihar, Rajasthan, Uttar Pradesh, Arunachal Pradesh, Chandigarh, Punjab etc regarding provision of solar solutions in their offices / buildings. 5) For more business opportunity, efforts are being made by MTL/MTNL Management, to have synergies with BSNL also. 6) MTL is exploring option for empanelling Business



Development Associates for Business generation and capacity building in Digital India, Small City, Skill India, Startup India etc. Now the matter is being pursued by MTNL Delhi Unit.

PERSONNEL

Your Company has not appointed any regular employee on its rolls. 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.

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 ₹10/- each). All the shares are held by MTNL and its nominees.

DIVIDEND

In the absence of adequate profit, the Board of Directors of your company has decided not to declare any dividend for the Financial Year 2015-16.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of 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 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, 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.

MATERIAL CHANGES AND COMMITMENT IF ANY AFFECTING THE FINANCIAL POSITION OF THE COMPANY OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR TO WHICH THIS FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT.

No material changes and commitment affecting the financial position of the company occurred between the end of the financial year to which this financial statements relate and the date of the report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS & OUTGO.

The provisions of Section 134(m) of the Companies Act, 2013 do not apply to the Company as your Company is a service provider.

During the year, there was no foreign exchange earnings and expenditure in foreign exchange.

PARTICULARS OF EMPLOYEES & RELATED DISCLOSURES

As per the provisions of Section 197(12) of Companies Act, 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014, every listed company is required to disclose the ratio of the remuneration of each director to the median employee's remuneration and details of employees receiving remuneration exceeding limits as prescribed from time to time in the Director's Report. However, as per Notification dtd. 5th June, 2015 issued by Ministry of Corporate Affairs, Government companies are exempted from complying with provisions of Section 197 of the Companies Act, 2013. Therefore, such particulars have not been included as part of Director's Report.

IMPLEMENTATION OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013.

During the Financial Year 2015-16, no case has been referred/ reported to the Committee of Sexual Harassment.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS IN THE FINANCIAL YEAR 2015-16

During the Financial Year 2015-16 four meetings of Board of directors of your company were held. Details of Board meetings are given below:-

Sl. No.	Meeting No.	Date	Place
1	73	29.05.2015	New Delhi
2	74	21.09.2015	Mumbai
3	75	29.12.2015	New Delhi
4	76	15.03.2016	Mumbai

DIRECTORS

Shri. Sunil Kumar, continue to be Chairman and Nominee Directors of MTNL (the holding Company). The following are the changes in the composition of Board of Directors of the Company during the Financial Year 2015-16:-

- (i) Shri R.K.Mishra and Shri Peeyush Agrawal ceased to be director w.e.f. 04.11.2015 and 05.12.2015 respectively.
- (ii) Shri R.M.Agrawal has been appointed as Nominee Director of Department of Telecommunications (DOT) w.e.f. 04.11.2015.
- (iii) Shri Pravin Punj has been appointed as Nominee Director w.e.f. 05.12.2015 .

Shri Sultan Ahmed, GM(Fin) has been appointed as Nominee Director w.e.f. 09.07.2016 in place of Shri Pankaj Yadav who ceased to be Director w.e.f 26.05.2016.

CHIEF OPERATING OFFICER

Shri M. V. Padmanabhan, GM (EB), MTNL, Mumbai and Shri S. S. Jain, DGM(EB),CO has been appointed as Chief Operating Officer (COO) of your company in place of Shri Ajay Kumar Sahu, GM (EB-I & II)- MTNL Mumbai w.e.f. 29.12.2015.

EXTRACT OF ANNUAL RETURN UNDER SECTION 92(3) OF COMPANIES ACT, 2013 [(MGT-9) PURSUANT TO SECTION 134(3)(a) OF THE COMPANIES ACT,2013]

Pursuant to Section 134(3)(a) of Companies Act, 2013 Extract of Annual Return under section 92(3) (in Form-MGT-9) of the Companies Act 2013 is annexed to this Report.



CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The provisions of Section 135 relating to constitution of Corporate Social Responsibility Committee and undertaking Corporate Social responsibility activities are not applicable to the Company.

PARTICULARS OF LOANS, GUARANTEES & INVESTMENTS MADE UNDER SECTION 186 OF THE COMPANIES ACT, 2013.

During the year under report, there were no loans given, guarantees provided or investments made by the Company under Section 186 of Companies Act, 2013.

FIXED DEPOSITS

During the year under report, the Company has not accepted any fixed deposits and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date on this account.

PARTICULARS OF CONTRACTS/ARRANGEMENTS WITH RELATED PARTIES

During the period under review, the Company had not entered with any Material Transaction with any of its related parties. The Company's major Related Party Transactions are generally with its holding company i.e. MTNL. All Related Parties Transactions were in ordinary course of Business and were negotiated on an Arm's Length basis, they were intended to further the company's interest. Accordingly, the disclosure of Related Party Transactions as required under 134(3)(h) of Companies Act, 2013 in form AOC-2 is not applicable.

AUDITORS

M/s A.M. Jain & Co., Chartered Accountants (FRN: 103883W) Mumbai has been appointed as Statutory Auditors of your company by Comptroller & Auditors General of India (C&AG) for the year 2015-16 vide letter no. Rep-PSU A/cs./F-118/Ann.Acctt./MTL/2015-16/733 dtd. 14.01.2016. M/s. A.M. Jain & Co. had conducted the Statutory Audit of the Company last year also.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013.

Pursuant to Section 143(6)(b) of the Companies Act, 2013 , Comments of the Comptroller and Auditor General of India.

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

SUNIL KUMAR
CHAIRMAN
DIN:06628803

Place: New Delhi
Date: 20th July, 2016



ANNEXURE -I

FORM NO. MGT-9 EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March, 2016

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

1. REGISTRATION AND OTHER DETAILS :

- i) **CIN:-** U64200MH2000GOI124302
- ii) **Registration Date:-** 17th February , 2000
- iii) **Name of the Company:-** Millennium Telecom Limited
- iv) **Category/ Sub-Category of the Company:-** Wholly Owned Subsidiary of MTNL.
- v) **Address of the Registered Office and contacts details:-** 15th Floor, Telephone House, VS Marg, Dadar(West) Mumbai-400028 ♦ Tele-022-24310645, Fax-022-24367168
- vi) **Whether listed company Yes / No:-** No
- vii) **Name, Address and Contact details of Registrar and Transfer Agent, If any:-** NIL

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

All the business contributing 10% or more of the total turnover of the company shall be stated:-

Sr. No.	Name and Description of the main products/ services	NIC Code of the Product/ services	% to total turnover of the company
1	Information Technology/Data	892	92%

3. PARTICULARS OF HOLDING , SUBSIDIARY AND ASSOCIATE COMPANIES –

Sr. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING / SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Mahanagar Telephone Nigam Limited (MTNL) Mahanagar Doorsanchar Sadan,5 th Floor, 9 CGO Complex, Lodi Road,New Delhi-110003.	L32101D 1986GOI023501	Holding Company	100%	2 (87)

4. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

**(I) Category – wise Share Holding **

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	De-mat	Physical	Total	% of Total Shares	De-mat	Physical	Total	% of Total Shares	
A)Promoters									
(1) Indian									
g) Individual/HUF	0	0	0	0.00	0	0	0	0	0
h) Central Govt/State Govt(s)	0	0	0	0.00	0	0	0	0	0
j) Bodies Corp. (MTNL)	0	2875880	2875880	100.0	0	2875880	2875880	100	0
k) Banks/Fl	0	0	0	0.00	0	0	0	0	0
l) Any Other	0	0	0	0.00	0	0	0	0	0
Sub- total	0	2875880	2875880	100	0	0	2875880	2875880	0
(A) (1):-									
(2)Foreign									
a) NRIs- Individuals	0	0	0	0.00	0	0	0	0	0
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0
d)Bank/Fl	0	0	0	0.00	0	0	0	0	0
e) Any other....	0	0	0	0.00	0	0	0	0	0
Sub- total(A)	0	0	0	0.00	0	0	0	0	0
(2):-									
Total shareholding of Promoter (A)=(A) (1)+(A)(2)	0	2875880	2875880	100	0	2875880	2875880	100	0
B. Public shareholding	0	0	0	0.00	0	0	0	0.00	0
1.Institutions	0	0	0	0.00	0	0	0	0.00	0
Sub-total (B) (1):-	0	0	0	0.00	0	0	0	0.00	0
2. Non Institutions	0	0	0	0.00	0	0	0	0.00	0
Sub-total (B)(2):-	0	0	0	0	0	0	0	0	0
Total Public Shareholding (B)=(B)(1)+(B) (2)	0	0	0	0	0	0	0	0	0
C. Shares held by Custodian for GDR&ADRs	0	0	0	0	0	0	0	0	0

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% Change during the year
	De-mat	Physical	Total	% of Total Shares	De-mat	Physical	Total	% of Total Shares	
Grand Total (A+B+C)	0	2875880	2875880	100	0	2875880	2875880	100	0

(II) Shareholding of Promoters

Sr. NO.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of Shares Pledged/ encumbered to total shares	No. of shares	% of total shares of the company	% of Pledged/ encumbered to total shares	
1.	Mahanagar Telephone Nigam Limited	2875880	100.00	Nil	2875880	100.0	Nil	NIL
	Total	287580	100.00	Nil	2875880	100.0	Nil	NIL

(III) Change in Promoters' Shareholding (please specify, if there is no change)

Sr. NO.		Shareholding at the Beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total shares of the company	No. of shares	% of total shares of the company
	At the beginning of the year	2875880	100.00	2875880	100.00
	Date wise Increase/ Decrease in Promoters Share holding during the year specifying the reason for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the end of the year	2875880	100.00	2875880	100.00

(IV) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) : NOT APPLICABLE

(V) Shareholding of Directors and Key Managerial Personnel: NIL

(VI) INDEBTNESS

Indebtness of the Company including interest outstanding/accrues but not due for payment

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtness
Indebtness at the beginning of the financial				
i) Principal Amount	NIL	4886347.00	NIL	4886347.00
ii) Interest due but not paid		--	--	--
iii) Interest accrued but not due		--	--	--
Total (i+ii+iii)	NIL	4886347.00	NIL	4886347.00
Change in Indebtness during the financial year				
• Addition	--	--	--	--
• Reduction		--		--
Net Change	NIL	--	--	--
Indebtness at the end of the financial year	--	--		--
i) Principal Amount		--	--	--
ii) Interest due but not paid		--	--	--
iii) Interest accrued but not due		--		--
Total (i+ii+iii)	NIL	4886347.00	NIL	4886347.00

(VII) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL: At Present there exist no employees on the roll of MTNL.

A. Remuneration to other directors : Not Applicable

B. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD : NA

(VIII) PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES : NIL



**A.M. JAIN & CO.
CHARTERED ACCOUNTANTS**

103-33, 1st Floor, Malhotra Chamber,
Police Court Lane, Near Handloom
House, Dr. D.N. Road, Fort,
Mumbai-400001.
Tel: 022-22622503/66355022
Fax: 022-2265 4662
Email: amjainandco@gmail.com
Website : www.amjainandco.com

INDEPENDENT AUDITOR'S REPORT

**To the Members of Millennium Telecom Limited
Report on the Financial Statements**

We have audited the accompanying (Standalone) financial statements of **MILLENNIUM TELECOM LIMITED** ("**the Company**") which comprise the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss, Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the (Standalone) Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these (Standalone) 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 principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these (Standalone) financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the 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 financial control relevant to the Company's preparation of the 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 whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the (Standalone) financial statements

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid (Standalone) financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2016, and its profit and its Cash Flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), as amended, issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
 - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d) in our opinion, the aforesaid (Standalone) financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - e) On the basis of written representations received from the directors as on March 31, 2016 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2016 from being appointed as a director in terms of Section 164 (2) of the Act;
 - f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, we report that Company has not yet compiled and implemented the Internal Financial Control procedures during the year under audit. We have been informed that Company is in process of compiling internal financial control documents and procedures and management is expected to implement the same in next financial year.;
 - g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Financial statements disclose the impact of pending litigation on its financial position. Refer Note No.24 of the financial statement.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For and on behalf of

A.M. JAIN & CO.,
Chartered Accountants
FRN: 103883W

CA. ARUN KUMAR JAIN
Partner
M.No.038983

Place: MUMBAI
Date: 26.05.2016

“Annexure A” to the Independent Auditors’ Report

Referred to in paragraph 1 under the heading ‘Report on Other Legal & Regulatory Requirement’ of our report of even date to the financial statements of the Company for the year ended March 31, 2016:

- 1) (a) The Company has maintained records showing particulars, including quantitative details and situation of fixed assets however same was not updated as per Companies Act 2013;
(b) The management has not physically verified the fixed assets during the year under audit.
(c) The Company is not holding any immovable property hence comment on title deeds of immovable properties held in the name of the company is not applicable in this case.
- 2) The Company was not having any inventory during the year and at the end of the year and hence comment on physical verification of inventory by the management is not applicable for the year under audit.
- 3) The Company has granted loans, secured or unsecured to companies, firms, Limited Liability partnerships or other parties covered in the Register required to be maintained under section 189 of the Act.
(a) We have been informed that there were no terms & conditions for loan granted to holding Company and such transactions were not entered in register maintained u/s 189 of the Companies Act 2013.
(b) We have been informed that no schedule of repayment of principal and interest has been stipulated.
(c) As no repayment schedule is stipulated for loan to holding company, comment on overdue amounts is not applicable in this case.
- 4) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Act to the extent applicable, with respect to the loans, investments made, guarantees, and security.
- 5) The Company has not accepted any deposits from the public and hence the directives issued by the Reserve Bank of India and the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposit) Rules, 2015 with regard to the deposits accepted from the public are not applicable.
- 6) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- 7) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees’ state insurance, income-tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, sales tax, value added tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable except Rs.2500 in respect of profession tax.

b) According to the information and explanation given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax outstanding on account of any dispute except the following amount of income tax under dispute:

Assessment Year	Demand	Paid under Protest
2003-2004 (The above case is pending with Commissioner of Income Tax (Appeal) CIT-A-X for relief of deduction u/s 80IA)	59,83,525	59,83,525
2004-2005 (The above case is pending with ITAT for relief of deduction u/s 80IA).	34,96,764	34,96,764
2005-2006 (The above case is pending with ITAT)	43,49,058	29,82,670
2007-2008 (Commissioner of Income Tax Appeal has allowed only part appeal and appeal effect is still awaited)	6,34,050	NIL
2008-2009 (Demand letter received for above amount. However Company has written to income tax department that they are not having any details of such demand.)	4,61,669	Nil
2009-2010 (Case is pending with ITO as vide appeal no. 356 commissioner of Income Tax vide order No. CIT (A)-9/ITO-5(2) (4)/356/2011-12 dated 05-09-2013 has partly allowed and appeal effect is still awaited)	8,22,985	Nil
2010-2011 (Demand letter received for above amount. However Company has written to income tax department that they are not having any details of such demand.)	23,057	Nil

- 8) The Company does not have any loans or borrowings from any financial institution, banks, government or debenture holders during the year. Accordingly, paragraph 3(viii) of the Order is not applicable.
- 9) Based upon the audit procedures performed and the information and explanations given by the management, the company has not raised moneys by way of initial public offer or further public offer including debt instruments and term Loans. Accordingly, the provisions of clause 3 (ix) of the Order are not applicable to the Company and hence not commented upon.
- 10) Based upon the audit procedures performed and the information and explanations given by the management, we report that no material fraud by the Company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- 11) Based upon the audit procedures performed and the information and explanations given by the management, no managerial remuneration has been paid or provided during the year by the Company and hence comment on managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act is not applicable in this case;
- 12) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.

- 13) According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- 14) Based upon the audit procedures performed and the information and explanations given by the management, the company has not made preferential allotment or private placement of shares during the year under review.
- 15) Based upon the audit procedures performed and the information and explanations given by the management, the company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of clause 3 (xv) of the Order are not applicable to the Company and hence not commented upon.
- 16) In our opinion, the company is not required to be registered under section 45 IA of the Reserve Bank of India Act, 1934 and accordingly, the provisions of clause 3 (xvi) of the Order are not applicable to the Company and hence not commented upon.

For and on behalf of

A.M. JAIN & CO.,
Chartered Accountants
FRN: 103883W

CA. ARUN KUMAR JAIN
Partner
M.No.038983

Place: MUMBAI

Date: 26.05.2016



MILLENNIUM TELECOM LIMITED
Balance Sheet as at 31 March, 2016

		Amount in Rupees	
Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
I EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	2,87,58,800	2,87,58,800
(b) Reserves and surplus	4	1,55,66,584	1,51,65,381
		4,43,25,384	4,39,24,181
3 Non-current liabilities			
(a) Long term borrowings		-	-
(b) Deferred tax liabilities (net)		-	-
(c) Other long-term liabilities	5	21,77,000	21,77,000
(d) Long-term provisions		-	-
		21,77,000	21,77,000
4 Current liabilities			
(a) Short-term borrowings	6	48,86,347	48,86,347
(b) Trade payables	7	1,14,72,480	89,96,959
(c) Other current liabilities	8	16,11,935	9,79,458
(d) Short term provisions	9	6,13,246	38,63,562
		1,85,84,008	1,87,26,326
	TOTAL	6,50,86,392	6,48,27,507
B ASSETS			
1 Non-current assets			
(1) (a) Fixed assets			
(i) Tangible assets	10	51,935	43,855
(ii) Intangible assets		-	-
(iii) Capital work-in-progress		-	-
(iv) Intangible assets under development		-	-
		51,935	43,855
(b) Non-current investments			
(c) Deferred tax assets (net)	11	55,801	67,302
(d) Long-term loans and advances	12	1,74,213	1,74,213
(e) Other non-current assets	13	-	22,64,200
		2,30,014	25,05,715
2 Current assets			
(a) Current investments		-	-
(b) Inventories	14	-	29,99,818
(c) Trade receivables	15	2,18,60,576	2,00,95,662
(d) Cash and cash equivalents	16	3,49,01,243	2,18,47,857
(e) Short-term loans and advances		-	-
(f) Other current assets	17	80,42,624	1,73,34,599
		6,48,04,443	6,22,77,936
	TOTAL	6,50,86,392	6,48,27,507

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 1, 2, 24 & 25

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

Sunil Kumar
Chairman & Director

S S JAIN
Chief Operating Officer-Delhi

Place : Delhi
Date : 26-May-2016

For and on behalf of the Board of Directors

Pravin Punj
Director

Sultan Ahmed
GM (Fin)

UMESH D PRABHU
IFA

Place: Mumbai
Date : 26-May-2016



MILLENNIUM TELECOM LIMITED
PART II – STATEMENT OF PROFIT AND LOSS
Profit and Loss Statement for the year ended 31 March, 2016

Amount in Rupees

Particulars	Note No.	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
1	2	3	4
A CONTINUING OPERATIONS			
I Revenue from operations	18	1,36,96,673	2,75,01,478
II Other income	19	43,19,609	20,31,741
III Total revenue (I+II)		1,80,16,282	2,95,33,219
IV Expenses			
(a) Cost of material consumed			
(b) Purchase of Stock in Trade	20	0	1,95,76,637
(c) Changes in inventories of finished goods work-in-progress and Stock-in-Trade	21	29,99,818	(29,99,818)
(d) Employee benefits expense			
(e) Finance costs	22	56,054	35,055
(f) Depreciation and amortisation expense	10	1,895	0
(g) Other expenses	23	1,05,08,130	1,11,63,617
Total expenses		1,35,65,897	2,77,75,491
V Profit / (Loss) before exceptional and extraordinary items and tax (III-IV)		44,50,385	17,57,728
VI Exceptional items		0	0
VII Profit / (Loss) before extraordinary items and tax (V-VI)		44,50,385	17,57,728
VIII Extraordinary items		0	0
IX Profit / (Loss) before tax (VII-VIII)		44,50,385	17,57,728
X Tax expense:			
(a) Current tax		14,93,677	5,56,569
(b) Deferred Tax		11,501	(71,841)
		15,05,178	4,84,728
XI Profit / (Loss) from continuing operations		29,45,207	12,73,000
XII Profit / (Loss) from discontinuing operations			
XI Tax expenses for discontinuing operations			
XIV Profit / (Loss) from discontinuing operations after tax (XII-XIII)		0	0
XV Profit / (Loss) for the period (XI-XIV)		29,45,207	12,73,000
XVI Earnings per share			
(a) Basic		1.02	0.44
(b) Diluted		1.02	0.44

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1, 2, 24 to 25

For M/s A.M.Jain & Co.
Chartered Accountants
Firm's Registration No.:103883W

For and on behalf of the Board of Directors

CA. ARUN KUMAR JAIN
Partner
Membership No. 038983

Sunil Kumar
Chairman & Director

Pravin Punj
Director

Sultan Ahmed
GM (Fin)

S S JAIN
Chief Operating Officer-Delhi

UMESH D PRABHU
IFA

Place: Mumbai
Date : 26-May-2016

Place : Delhi
Date : 26-May-2016



MILLENNIUM TELECOM LIMITED

Cash Flow Statement for the year ended 31 March, 2016

<u>2015-16</u>	Figures as at the end of current reporting period		Figures as at the end of previous reporting period	
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		44,50,385		17,57,728
<i>Adjustments for:</i>				
Depreciation and amortisation	1,895		0	
Finance costs	56,054		35,055	
Interest income	(43,19,609)		(17,36,857)	
Income Tax earlier year	(2,79,803)		(9,41,800)	
Other non-cash charges	0	(45,41,463)	0	(26,43,602)
Net unrealised exchange (gain) / loss			-	
Operating profit / (loss) before working capital changes		<u>(91,078)</u>		<u>(8,85,874)</u>
<i>Changes in working capital:</i>				
Adjustments for (increase) / decrease in operating assets:				
Inventories	29,99,818		(29,99,818)	
Trade receivables	(17,64,914)		(64,58,267)	
Short-term loans and advances	-		-	
Other current assets	92,91,975		(1,31,806)	
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Trade payables	24,75,521		89,20,387	
Other current liabilities	6,32,477		(52,09,777)	
Other Long-term liabilities	0		21,77,000	
Short-term provisions	(32,50,316)		35,72,615	
Long-term provisions	-	1,03,84,561		(1,29,666)
		<u>1,02,93,483</u>		<u>(10,15,540)</u>
Cash flow from extraordinary items				
Cash generated from operations		1,02,93,483		(10,15,540)
Net income tax (paid) / refunds		(14,93,677)		(5,56,569)
Net cash flow from / (used in) operating activities (A)		<u>87,99,806</u>		<u>(15,72,109)</u>
B. Cash flow from investing activities				
Bank balances not considered as Cash and cash equivalents				
- Matured		-		-
Interest received				
- Others Bank FD	19,98,813	43,19,609	16,99,019	17,36,857
- Others	23,20,796		37,838	



Purchase of Fixed Asset		(9,975)	0
Purchase of Fixed Asset		43,09,634	17,36,857
Net income tax (paid) / refunds			-
Net cash flow from / (used in) investing activities (B)		43,09,634	17,36,857
C. Cash flow from financing activities			
Proceeds from other long-term advances			
Repayment of other short-term borrowings	0	(2,00,987)	
Finance cost	(56,054)	(56,054)	(35,055)
Net cash flow from / (used in) financing activities (C)		(56,054)	(2,36,042)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		1,30,53,386	(71,294)
Cash and cash equivalents at the beginning of the year		2,18,47,857	2,19,19,152
Cash and cash equivalents at the end of the year		3,49,01,243	2,18,47,857
Reconciliation of Cash and cash equivalents with the balance			
Cash and cash equivalents as per Balance Sheet (Refer Note 19)		3,49,01,243	2,18,47,857
Less: Bank balances not considered as Cash and cash equivalents		-	-
Net Cash and cash equivalents (as defined in AS 3 <i>Cash Flow Statements</i>) included in Note 19		3,49,01,243	2,18,47,857
Add: Current investments considered as part of Cash and cash		-	-
Cash and cash equivalents at the end of the year *		3,49,01,243	2,18,47,857
Cash and cash equivalents at the end of the year *			
* Comprises:			
(a) Cash on hand		-	-
(b) Cheques, drafts on hand		-	-
(c) Balances with banks			
(i) In current accounts		68,99,692	16,30,027
(ii) In deposit accounts with original maturity of less than 3 months		2,80,01,551	2,02,17,830
		<u>3,49,01,243</u>	<u>2,18,47,857</u>

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 : 26-May-2016

Sunil Kumar
Chairman & Director

S S JAIN
Chief Operating Officer-Delhi

Place : Delhi
Date : 26-May-2016

For and on behalf of the Board of Directors

Pravin Punj
Director

Sultan Ahmed
GM (Fin)

UMESH D PRABHU
IFA



MILLENNIUM TELECOM LIMITED

Statement of Segment Report for the year ended 31 March, 2016

	Particulars	Figures as at the end of current reporting period (RUPEES)	Figures as at the end of previous reporting period (RUPEES)
1	SEGMENT WISE REVENUE		
	(a) Revenue from Trading	-	2,05,00,541
	(b) Revenue from Services		
	-Service's with Holding Company	16,74,204.00	47,52,635.00
	-RF connectivity to AIR India	1,91,583.00	80,820.00
	-Web Hosting Charges to NHAI	10,23,688.00	8,44,292.00
	-Training & Education Services	1,06,31,198.00	13,23,190.00
	-MPLS Toll Plaza	1,76,000.00	
	TOTAL SEGMENT REVENUE	<u>1,36,96,673.00</u>	<u>2,75,01,478.00</u>
2	SEGMENT WISE RESULT		
	(a) Margin from Trading		9,23,904.00
	(b) Margin from Services		
	-Service's with Holding Company	2,01,097	2,26,315
	-RF connectivity to AIR India	29,313	10,820
	-Web Hosting Charges to NHAI	94,541	77,622
	-Training & Education Services	5,42,987	67,610
	-MPLS Toll Plaza	96,800	
	TOTAL	<u>9,64,738</u>	<u>13,06,271</u>
	Unallocable Expenses	(7,77,908)	(15,45,229)
	Depreciation		0
	Other Income	43,19,609	20,31,741
	Finance Cost	(56,054)	(35,055)
	Exceptional Items	-	0
	Tax Expenses	(15,05,178)	(4,84,728)
	Profit / (Loss) after exceptional items and tax	<u>29,45,206.61</u>	<u>12,73,000.00</u>
3	SEGMENT WISE CAPITAL EMPLOYED		
	(a) Trading		
	(b) Services		
	-Service's with Holding Company		
	-RF connectivity to AIR India		
	-Web Hosting Charges to NHAI		
	-Training & Education Services		
	Unallocable Capital Employed	4,43,25,384	4,39,24,181
	TOTAL CAPITAL EMPLOYED	<u>4,43,25,384.35</u>	<u>4,39,24,180.74</u>

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

Sunil Kumar

Chairman & Director

S S JAIN

Chief Operating Officer-Delhi

Place : Delhi

Date : 26-May-2016

Pravin Punj

Director

UMESH D PRABHU

IFA

Sultan Ahmed

GM (Fin)

For and on behalf of the Board of Directors

Place: Mumbai

Date : 26-May-2016



MILLENNIUM TELECOM LIMITED
Notes forming part of the financial statements

Note	Particulars
1	Corporate information “MILLENNIUM TELECOM 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. After cancellation of the Sub-marine Cable Project Tender, the Board of MTL decided to enter into new line of business and started exploring the new different business prospects. The following are the services which are intened to be provided by MTL. The various services being offered are Remote monitoring of customer network, Capacity building and skill development programme, End-to-end ICT Solution provider along with operation & maintenance. Launch, operate, provide and maintained Cloud and managed services. Surveillance and perimeter security including emergency communication. Campus wide Wi-Fi , Surveillance projects, Infrastructure Sharing, Data Centre Outsourcing Application including Web Hosting, Cloud computing etc”
2	Significant accounting policies
2.1	Basis of accounting and preparation of financial statements The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) Accounting Standards specified under section 133 of Companies Act, 2013 read with Rule-7 of Companies (Accounts) Rules, 2014 & as amended time to time and the relevant provisions of the Companies Act 2013. 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.
2.2	Use of estimates 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.
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 based on useful life of asset in Schedule II to the Companies Act, 2013, after keeping residual value of 5 percent. Assets already fully depreciated as on 01-Apr-2014, were kept at Re 1/- only.

The excess / short carrying cost of asset as on 01-apr-2014 were transferred to retained earning as per schedule II of Companies Act 2013

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 capitalized 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

The Company provided services in Training, Webhosting service's, RF Connectivity and WiFi network building, the revenue and result of these activity are reported as per AS 17 but segment reporting of Capital employed not presented as per AS 17 as it doing business in common platform.

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 recognized, 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 recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

2.12 Provisions and contingencies

A provision is recognized 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 recognized 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 recognized 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 recognized for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognized only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognized 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 recognized in equity are recognized in equity and not in the statement of profit and loss.

2.14 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 recognized, 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 recognized for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognized in the Statement of Profit and Loss, except in case of revalued assets.

2.15 Provisions and contingencies

A provision is recognized 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.

2.16 Valuation of Inventories

Work in progress stocks are valued at cost. (Cost incurred for rendering the services)



MILLENNIUM TELECOM LIMITED
Notes forming part of the financial statements

Note 3
Share capital

Particulars	Figures as at the end of current reporting period		Figures as at the end of previous reporting period	
	Number of shares	(RUPEES)	Number of shares	(RUPEES)
(a) Authorised				
Equity shares of Rs.10 each with voting rights	100,000,000	1,000,000,000	100,000,000	1,000,000,000
(b) Issued				
Equity shares of Rs.10 each with voting rights	28,75,880	2,87,58,800	28,75,880	2,87,58,800
(c) Subscribed and fully paid up				
Equity shares of Rs.10 each with voting rights	28,75,880	2,87,58,800	28,75,880	2,87,58,800
Total	28,75,880	2,87,58,800	28,75,880	2,87,58,800

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, 2016				
- Number of shares	28,75,880	-	-	28,75,880
- Amount (Rs.)	2,87,58,800	-	-	2,87,58,800
Year ended 31 March, 2015				
- Number of shares	28,75,880	-	-	28,75,880
- Amount (Rs.)	2,87,58,800	-	-	2,87,58,800

Notes:

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

Particulars	
Number of shares	Equity shares with voting no of shares
As at 31 March, 2016	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880
As at 31 March, 2015	
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	Figures as at the end of current reporting period		Figures as at the end of previous reporting period	
	Number of shares held	% holding in that class of shares	Number of shares held	% holding in that class of shares
Equity shares with voting rights Mahanagar Telephone Nigam Limited	28,75,880	100	28,75,880	100

**Note 4
Reserves and surplus**

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
(i) Revenue Reserve		
Opening balance	7,24,119	9,95,181
Add: Additions / transfers during the year	-	-
Less: Utilisations / transfers during the year		
Amortization of fixed assets as per new Companies Act, 2013	-	-2,71,062
Closing balance	7,24,119	7,24,119
(ii) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	1,44,41,262	1,63,74,262
Add: Profit / (Loss) for the current year	29,45,207	12,73,000
Add/Less: Tax for earlier Years	(2,79,803)	(9,41,800)
Add/Less: Amortization of 20% of initial expenses of submarine cable project written off #	(22,64,200)	(22,64,200)
Closing balance	1,48,42,465	1,44,41,262
Total	1,55,66,584	1,51,65,381

**Note 5
Other Long Term Liabilities**

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
Mobilization Advance Received from Jammu & Kashmir E-Gov	2,177,000	2,177,000
Total	2,177,000	2,177,000



Note 6
Short-term borrowings

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
(a) Loans and advances from related parties		
Unsecured Interest free Running Account	48,86,347	48,86,347
(Period and Amount of continuing default)		
The loan are for the expenses of MTL incurred by its Holding company MTNL. And this is unconditional interest free loan. Over due amount not calculated due to no fixed repayment schedule	48,86,347	48,86,347
Total	48,86,347	48,86,347

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	36,37,928	36,37,928
MTNL Mumbai	12,48,419	12,48,419
Total - Loans and advances from related parties	48,86,347	48,86,347

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

Note 7

Trade payables

Particulars	Figures as at the end of current reporting period	Figures as at the end of previ- ous reporting period
	(RUPEES)	(RUPEES)
Trade payables:		
a) Other than Acceptances	1,13,15,869	89,91,173
b) Others	1,56,611	5,786
Total	1,14,72,480	89,96,959

Note 8

Other current liabilities

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
(a) Income Received in Advance	3,03,758.00	1,49,856.00
(b) Other payables		
(i) Statutory remittances (Professional Tax, Service Tax, TDs payable)	12,98,177	8,19,602
(ii) Trade / security deposits received	10,000	10,000
Total	16,11,935	9,79,458

Note 9
Provision for expenses

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
Others (Provision for expenses)	6,13,246	38,63,562
Total	6,13,246	38,63,562

Note 10
Fixed assets

A. Tangible assets	Gross block				
	Balance as at 1 April, 2014	Additions	Disposals	Other ad- justments	Balance as at 31 March, 2015
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Owned Assets					
(a) Plant and Equipment	82,639	-	-	-	82,639
(b) Furniture and Fixtures	4,74,252	-	-	-	4,74,252
(c) Vehicles	6,36,216	-	-	-	6,36,216
(d) Office equipment	3,40,610	-	-	-	3,40,610
(e) Electrical Fittings	62,215	-	-	-	62,215
(f) Others (Computers)	21,58,850	9,975.00	-	-	21,68,825
Total	37,54,782	9,975.00	-	-	37,64,757
Previous year	37,54,782	-	-	-	37,54,782

A. Tangible assets	Accumulated depreciation and impairment			Net block		
	Balance as at 1 April, 2015	Depre- ciation / amortisation expense for the year	Disposal/ Other ad- justment	Balance as at 31 March, 2016	Balance as at 31 March, 2016	Balance as at 31 March, 2015
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Owned Assets						
(a) Plant and Equipment	82,639	-	-	82,639	-	-
(b) Furniture and Fixtures	4,50,539	-	-	4,50,539	23,713	23,713
(c) Vehicles	6,36,215	-	-	6,36,215	1	1
(d) Office equipment	3,23,581	-	-	3,23,581	17,029	17,029
(e) Electrical Fittings	59,104	-	-	59,104	3,111	3,111
(f) Others (Computers)	21,58,849	1,895	-	21,60,744	8,081	1
Total	37,10,927	1,895	-	37,12,822	51,935	43,855
Previous year	34,39,865	-	2,71,062	37,10,927	43,855	3,14,917



MTNL

B. Depreciation and amortisation relating to continuing operations:

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
Depreciation and amortisation for the year on tangible assets	1,895	-
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	1,895	-

Notes:

(i) 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:

(ii) There are no assets acquired under hire purchase agreements:

(iii) There are no assets jointly owned by the Company:

Note No 11

Deferred Tax (Liability) / Asset 2015-16

Note	Particulars	Figures as at the end of current reporting period (RUPEES)	Figures as at the end of previous reporting period (RUPEES)
11	Deferred tax (liability) / asset		
	Tax effect of items constituting deferred tax liability		
	On difference between book balance and tax balance of fixed assets	-	-
	Tax effect of items constituting deferred tax liability		-
	Tax effect of items constituting deferred tax assets		
	On difference between book balance and tax balance of fixed assets	55,801.00	67,302.00
	Tax effect of items constituting deferred tax assets	55,801.00	67,302.00
	Net deferred tax (liability) / asset	55,801.00	(67,302.00)

Note 12

Long-term loans and advances

Particulars	Figures as at the end of current reporting period (RUPEES)	Figures as at the end of previous reporting period (RUPEES)
Unsecured considered good		
(a) Loans to related parties		
Loan to Holding Company Mahanagar Telephone Nigam Ltd	174,213	174,213
Total	174,213	174,213

Note 13
Other non-current assets

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
(a) Others to the extent of not write off		
(i) Others: Sub Marine Cable Project Initial Expenses	0	22,64,200
Total	0	22,64,200

Note 14
Inventories

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
Work in Progress (Valued at cost)	-	29,99,818
	-	29,99,818

Note 15
Trade receivables

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
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	1,27,44,732	97,90,985
Unsecured, considered good due from others	3,69,646	0
Trade receivables outstanding for a period within six months from the date they were due for payment		
Unsecured, considered good due from MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	2,96,746	89,62,090
Unsecured, considered good due from others	84,49,452	13,42,587
Doubtful	2,73,971	2,73,971
	2,21,34,547	2,03,69,633
Less: Provision for doubtful trade receivables	2,73,971	2,73,971
Total	2,18,60,576	2,00,95,662

Note 16
Cash and cash equivalents

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
Balances with banks		
(i) In current accounts	68,99,692	16,30,027
(ii) In deposit fixed deposit accounts with 12 months maturity (Refer Note (i) below)	2,80,01,551	2,02,17,830
Total	3,49,01,243	2,18,47,857
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 <i>Cash Flow Statements</i> is	3,49,01,243	2,18,47,857

Note 17
Other current assets

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
A. Taxation		
a) Advance income tax /TDS Net of provision of Rs 11134187/- (PY Rs 10632034)	71,84,271	76,17,318
b) Income Tax and Penalties Paid under protest	-	95,61,635
B. Non-Taxation		
a) Advance recoverable in cash or in kind	8,58,353.00	1,55,646.00
Total	80,42,624.00	1,73,34,599.00

Note 18
Revenue from Operation

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
(a) Sales of Products	-	2,05,00,541
(b) Sales of Services	1,36,96,673	77,21,228
(c) Other Operating Revenues		
Gross Revenue	1,36,96,673	2,82,21,769
Less: Service Tax	-	7,20,291
Net Revenue from operations	1,36,96,673	2,75,01,478

Note 19
Other income

Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
	(RUPEES)	(RUPEES)
(a) Interest income	43,19,609	17,36,857
(b) Foreign Exchange Fluctuation		90,684
(c) Tender & EMD forfeiture		2,04,200
Total	43,19,609	20,31,741

Note 20
Purchase of Stock Trade

Particulars	Figures as at the end of current reporting period	Figures as at the end of previ- ous reporting period
	(RUPEES)	(RUPEES)
(a) Cost of Goods Traded		-
Opening Stock	-	
Purchases	-	1,95,76,637
Closing Stock	-	
Total	-	1,95,76,637



Note 21

Changes in inventories of finished goods work-in-progress and Stock-in-Trade

Particulars	Figures as at the end of	Figures as at the end of previous
	current reporting period	reporting period
	(RUPEES)	(RUPEES)
(a) Inventories at end of year		
-Traded goods	-	-
-Work in Progress	-	29,99,818
-Finished Goods	-	-
		29,99,818
(b) Inventories at beginning of year		
-Traded goods	-	-
-Work in Progress	29,99,818	-
-Finished Goods	-	-
Net changes in Inventories	29,99,818	-29,99,818

Note 22

Finance costs

Particulars	Figures as at the end of	Figures as at the end of previous
	current reporting period	reporting period
(a) Interest expense on others		
- Bank Charges	1365	6414
- Interest on Indirect Statutory Payments	15,348	653
VAT	Rs 1240	
Service Tax	Rs 6855	
TDS	Rs 7253	
- Interest on Licence fees	39,341	27,988
Total	56,054	35,055

Note 23

Other expenses

Particulars	Figures as at the end of current	Figures as at the end of
	reporting period	previous reporting period
Direct Expenses:	97,32,117	96,18,388
	97,32,117	96,18,388
Other Expenses (Indirect)		
Meeting Expenses	6,072	13,869
Rates and taxes	2,500	2,500
Travelling and conveyance	48,781	1,16,393
Veichle Hire Charges	1,62,215	
Printing and stationery	9,212	5,349
Postage	730	
Licence surrender Fees	-	10,00,000
Licence Fees	-	1,47,648
Penalty on Licence Fees	2,55,071	
Legal and professional	46,713	1,47,033
Income Tax Appeal fees	11,000	
RoC Filing Fees	-	1,728
Payments to auditors	1,03,375	65,000
Digital Signature	2,061	
Books & periodicals	1,945	
Prior period items	98,571	34,537
Miscellaneous expenses	27,767	11,172
Total	7,76,013	15,45,229
Total	1,05,08,130	1,11,63,617



MILLENNIUM TELECOM LIMITED
Notes forming part of the financial statements
2015-2016

Note	Particulars	Figures as at the end of current reporting period	Figures as at the end of previous reporting period
		(RUPEES)	(RUPEES)
24	Contingent liabilities and commitments (to the extent not provided for)		
(i)	Contingent liabilities		
	(a) Claims against the Company not acknowledged as debt (give details)		
	(i) AY 2003-04 case pending with CIT (Appeal) for disallowance deduction u/s 80IA of Income Tax (Provision made Rs 5983525 in 30.03.11)	59,83,525	1,05,03,998
	(ii) AY 2004-05 case pending with ITAT (Appeal) for disallowance deduction u/s 80IA of Income Tax	34,96,764	34,96,764
	(iii) AY 2005-06 case pending with ITAT (Appeal) for disallowance deduction u/s 80IA of Income Tax	43,49,058	43,49,058
	(iv) AY 2007-08 case pending ITO as commissioner allowed part appeal and send it for reassessment	6,34,050	6,34,050
	(v) AY 2008-09 case pending with ITO for details of demand	4,61,669	4,61,669
	(vi) AY 2009-10 case pending with ITO as Vide Appeal No. 356 Commissioner of Income Tax vide order No.CIT(A)-9/ITO-5(2)(4)/356/2011-12 dated 05-09-2013 has partly allowed and appeal Effect is still awaited.	8,22,985	8,22,985
	(vii) AY 2010-11 case pending with ITO for details of demand	23,057	23,057
	(b) Guarantees: Guarantee given by Banks		
	Indian Overseas Bank (PBG) for ISP License valid upto 23.04.17	20,000,000	20,000,000
	Indian Overseas Bank (FBG) for ISP License valid upto 22.08.16	1,000,000	1,000,000
	(c) Claim not acknowledged as debt (Axiom France)	1,51,98,193	1,51,98,193
24.2	Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006: The company has no dues to micro and small enterprises during the year ended March 31, 2016 and March 31, 2015.		
	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.		
24.3	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		
24.4	Details of consumption of imported and indigenous items are Nil for the company. The company has made domestic trading purchases of Rs0 and made trading sales of Rs 0 & WIP stock of Rs 0 The gross sale of services was Rs 13696673 During previous domestic trading purchase was Rs 19576637, Trading sales Rs 20500541 & WIP stock of Rs 2999818 & the gross sales of service was Rs 7721228/-		
24.5	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.		

24.6	Since the submarine cable project was abandoned, the payment of Rs.1,13,21,000/- made for its pre-operative expenses had been treated as deferred revenue expenses and accordingly they are shown under other non-current assets to be amortized in 5 years. As these deferred revenue expenses pertain to the earlier year, this would not impact to the financial statements of the company for the year. Therefore, Rs 22,64,200 have been amortized or deducted from surplus / (deficit) in statement of Profit & Loss under the head of 'Reserve & Surplus' from the financial year 2014-15 and subsequent year.																																	
24.7	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 Rs.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 Rs. 34,80,405. The Company has not collected the preliminary and preoperative expenses as per the terms of Joint venture agreement.																																	
24.8	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.																																	
24.9	Account balance confirmation and reconciliation not available for transactions and balances with Holding Company MTNL.																																	
24.10	No details available regarding status of Statutory remittances pending as per Note No.8 towards service tax liability of Rs.540054/-.																																	
24.11	Detailed year wise break-up is not available for provision for income tax Rs. 11134187 reduced from Advance Tax & TDS shown in note No.17.																																	
24.12	No confirmation has been received from following Sundry Debtors/sundry creditors and deposits outstanding at the year end <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th style="text-align: left;">Name of Party</th> <th style="text-align: left;">Type of A/c</th> <th style="text-align: right;">Balance as on 31-03-2016</th> </tr> </thead> <tbody> <tr> <td>GAAP Education Pvt Ltd</td> <td>Creditor</td> <td style="text-align: right;">6238235</td> </tr> <tr> <td>ITI Limited</td> <td>Creditor</td> <td style="text-align: right;">715210</td> </tr> <tr> <td>Telexcell Information SystemLtd</td> <td>Creditor</td> <td style="text-align: right;">4367607</td> </tr> <tr> <td>EMD –Telexcell</td> <td>EMD payable</td> <td style="text-align: right;">10000</td> </tr> <tr> <td>Mobilization Advance J & K</td> <td>Advance Payable</td> <td style="text-align: right;">2177000</td> </tr> <tr> <td>Jammu & Kashmir E-Govt Agency</td> <td>Debtors</td> <td style="text-align: right;">8691888</td> </tr> <tr> <td>MTNL Delhi Haryana Wifi Project</td> <td>Debtors</td> <td style="text-align: right;">3250493</td> </tr> <tr> <td>National Highway Authority Ltd</td> <td>Debtors</td> <td style="text-align: right;">127210</td> </tr> <tr> <td>Cement Corporation of India</td> <td>Debtors</td> <td style="text-align: right;">215771</td> </tr> <tr> <td>HPSEDC</td> <td>Debtors</td> <td style="text-align: right;">58200</td> </tr> </tbody> </table>	Name of Party	Type of A/c	Balance as on 31-03-2016	GAAP Education Pvt Ltd	Creditor	6238235	ITI Limited	Creditor	715210	Telexcell Information SystemLtd	Creditor	4367607	EMD –Telexcell	EMD payable	10000	Mobilization Advance J & K	Advance Payable	2177000	Jammu & Kashmir E-Govt Agency	Debtors	8691888	MTNL Delhi Haryana Wifi Project	Debtors	3250493	National Highway Authority Ltd	Debtors	127210	Cement Corporation of India	Debtors	215771	HPSEDC	Debtors	58200
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HPSEDC	Debtors	58200																																
24.13	Company is in process of compiling internal financial control documents and procedures and expected to implement the same in next Financial Year																																	
24.14	Company has incurred service tax loss on account of reversal of service tax credit amounting Rs 13044 & Rs 18102 due to non availability of original invoice copy																																	
24.15	Quarterly VAT returns filed for F.Y. 15-16 without incorporating sales and purchases booked during the F.Y. 2015-2016. This also resulted in VAT input loss of Rs.9225 and Rs.15750 in respect of purchases booked in the name of Telexcell Information system																																	
24.16	Bank statement not provided by ICICI Bank having balance of Rs 100825 as account is stated dormant by the bank																																	
24.17	Separate records were non maintained for exempt services same is under process of compilation as per Service Tax Law																																	



MILLENNIUM TELECOM LIMITED

Notes forming part of the financial statements

2015-16

Note	Particulars				
25.1	Related party transactions				
25.1.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 (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. Pravin Punj, Director from 05/12/2015 Shri Pankaj Yadav, Director, Shri. R. K Mishra, Director up to 04/11/2015 Shri Peeyush Agarwal, Director up to 05/12/2015 Shri R M Agarwal, Director from 04/11/2015 Shri Gunjan Sinha, COO-Delhi up to 21/09/2015 Shri A K Sahu COO-Mumbai up to 29/12/2015 Shri S S Jain COO-Delhi from 29/12/2015 Shri Sunil Kumar COO-Delhi from 21/09/2015 to 29/12/2015 Shri M. V. Padmanavan COO -Mumbai from 29/12/2015 No transaction with any of them.			
	Relatives of KMP	No transactions			
	Company in which KMP / Relatives of KMP can exercise significant influence	No Transactions			
	Note: Related parties have been identified by the Management.				
	Details of related party transactions during the year ended 31 March, 2016 and balances outstanding as at 31 March, 2016:				
25.1.b		Associates : Bharat Sanchar Nigam Ltd. / United Tele- com Ltd	Ultimate Holding Company : Mahanagar Telephone Nigam Ltd.	Fellow Subsidiaries : Mahanagar Telephone Nigam (Mau- ritius) Ltd	Total
	Sale of goods	0	0	0	0
		(0)	(2,05,00,541)	(0)	(2,05,00,541)
	Sale of Services		16,74,204		16,74,204
			(47,52,635)		(47,52,635)
	Finance (including loans and equity contributions in cash or in kind)	0	0	-	0
		(0)	0	(0)	0

	Guarantees and collaterals	0		-	0
		(0)	(0)	(0)	(0)
	Management contracts including for deputation of employees	0	0	-	0
		(0)	(0)	(0)	(0)
	Balances outstanding at the end of the year				
	Trade receivables	0	1,30,41,478	-	1,30,41,478
		(0)	(1,87,53,075)	(0)	(1,87,53,075)
	Loans and advances	0	1,74,213	-	1,74,213
		(0)	(1,74,213)	(0)	(1,74,213)
	Trade payables	0			0
		(0)		(0)	0
	Borrowings	0	48,86,347	-	48,86,347
		(0)	(48,86,347)	(0)	(48,86,347)
	Provision for doubtful receivables, loans and advances	0	0	-	0
		(0)	(0)	(0)	(0)
	Note: Figures in bracket relates to the previous year				
25.2	The Revised Schedule III has become effective from 1 April, 2014 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.				

as per our report attached.
For M/s A.M.Jain & Co.
Chartered Accountants
Firm's Registration No.:103883W

For and on behalf of the Board of Directors

CA. ARUN KUMAR JAIN
Partner
Membership No. 038983

Sunil Kumar
Chairman & Director

Pravin Punj
Director

Sultan Ahmed
GM (Fin)

S S JAIN
Chief Operating Officer-Delhi

UMESH D PRABHU
IFA

Place: Mumbai
Date : 26 May 2016

Place : Delhi
Date : 26 May 2016



MOORE STEPHENS

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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** and its subsidiaries (together referred to as the "Group"), set out on pages 13 to 40, which comprise the statements of financial position at 31 March 2016 and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements 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.

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 13 to 40 give a true and fair view of the financial position of the Group and the Company at 31 March 2016 and of its financial performance, its changes in equity 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 the Financial Reporting Act 2004.

Report on other legal and regulatory requirements

Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with or interests in the Group and the Company other than in our capacity as auditors.
- we have obtained all the information and explanations we have required.
- in our opinion, proper accounting records have been kept by the Group and the Company as far as it appears from our examination of those records.

Financial Reporting Act 2004

The directors are responsible for preparing the Corporate Governance Report. Our responsibility is to report on the extent of compliance with the Code of Corporate Governance (the "Code") and whether the disclosures are consistent with the requirements of the Code.

In our opinion, the disclosures in the Corporate Governance Report are consistent with the requirements of the Code.

MOORE STEPHENS
Chartered Accountants

Port Louis
Mauritius

Ashvin Mawven, ACA
Licensed by FRC

Date : 19.05.2016



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

		The Group		The Company	
	Notes	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	5	73,31,54,387	70,20,03,205	73,31,54,387	70,20,03,205
Investment in subsidiaries	6	-	-	1,20,00,000	1,20,00,000
		<u>73,31,54,387</u>	<u>70,20,03,205</u>	<u>74,51,54,387</u>	<u>71,40,03,205</u>
Current assets					
Inventories	7	30,26,471	44,47,697	30,26,471	44,47,697
Trade and other receivables	8	6,02,54,746	7,34,79,022	6,03,01,146	7,35,24,422
Cash and cash equivalents	9	13,32,80,560	14,05,23,734	13,32,80,560	14,05,23,734
		<u>19,65,61,777</u>	<u>21,84,50,453</u>	<u>19,66,08,177</u>	<u>21,84,95,853</u>
TOTAL ASSETS		<u>92,97,16,164</u>	<u>92,04,53,658</u>	<u>94,17,62,564</u>	<u>93,24,99,058</u>
EQUITY AND LIABILITIES					
Equity					
Stated capital	10	67,37,17,949	67,37,17,949	67,37,17,949	67,37,17,949
Revenue reserves / (accumulated losses)	11	38,25,289	(1,74,51,955)	38,71,689	(1,74,06,555)
Total equity		<u>67,75,43,238</u>	<u>65,62,65,994</u>	<u>67,75,89,638</u>	<u>65,63,11,394</u>
Non-current liabilities					
Deferred taxation	15	2,11,10,781	1,57,46,484	2,11,10,781	1,57,46,484
Current liabilities					
Trade and other payables	12	23,10,62,145	24,84,41,180	24,30,62,145	26,04,41,180
		<u>23,10,62,145</u>	<u>24,84,41,180</u>	<u>24,30,62,145</u>	<u>26,04,41,180</u>
TOTAL EQUITY AND LIABILITIES		<u>92,97,16,164</u>	<u>92,04,53,658</u>	<u>94,17,62,564</u>	<u>93,24,99,058</u>

Approved by the Board of Directors on 19.05.2016

Sd/-
DIRECTOR

Sd/-
DIRECTOR



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016

	Notes	The Group		The Company	
		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Turnover	3(c)	54,86,46,416	50,21,93,327	54,86,46,416	50,21,93,327
Cost of sales	24	(15,52,79,149)	(12,66,01,673)	(15,52,79,149)	(12,66,01,673)
Gross profit		39,33,67,267	37,55,91,654	39,33,67,267	37,55,91,654
Personnel expenses	25	(1,50,36,820)	(1,20,73,129)	(1,50,36,820)	(1,20,73,129)
Licence fees	26	(2,32,62,250)	(1,90,93,600)	(2,32,62,250)	(1,90,93,600)
Administrative expenses	27	(16,42,41,471)	(16,37,43,168)	(16,42,40,471)	(16,36,97,768)
Marketing expenses	28	(2,19,77,669)	(2,11,65,290)	(2,19,77,669)	(2,11,65,290)
Depreciation		(14,82,32,277)	(13,92,44,829)	(14,82,32,277)	(13,92,44,829)
Profit from operations	17	2,06,16,780	2,02,71,638	2,06,17,780	2,03,17,038
Other income	13	11,55,676	3,82,486	11,55,676	3,82,486
Net finance income	14	48,69,085	33,98,137	48,69,085	33,98,137
Profit before tax		2,66,41,541	2,40,52,261	2,66,42,541	2,40,97,661
Taxation	15	(53,64,297)	(63,43,138)	(53,64,297)	(63,43,138)
PROFIT FOR THE YEAR		<u>2,12,77,244</u>	<u>1,77,09,123</u>	<u>2,12,78,244</u>	<u>1,77,54,523</u>
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss		-	-	-	-
Other comprehensive income for the year, net of income tax		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,12,77,244</u>	<u>1,77,09,123</u>	<u>2,12,78,244</u>	<u>1,77,54,523</u>
Earnings per share	16	<u>0.03</u>	<u>0.03</u>	<u>0.03</u>	<u>0.06</u>



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016

THE GROUP	Stated capital Rs.	Revenue Reserves/ (Accumulated losses) Rs.	Total Rs.
Balance at 01 April 2014	673,717,949	(35,161,078)	638,556
Profit for the year	-	17,709,123	13,800,972
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2015	<u>673,717,949</u>	<u>(17,451,955)</u>	<u>638,556,871</u>
Balance at 01 April 2015	673,717,949	(17,451,955)	638,556,871
Profit for the year	-	21,277,244	17,754,523
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2016	<u>673,717,949</u>	<u>(3,825,289)</u>	<u>656,311,394</u>
THE COMPANY	Stated capital Rs.	Revenue Reserves/ (Accumulated losses) Rs.	Total Rs.
Balance at 01 April 2014	67,37,17,949	(3,51,61,078)	63,85,56,871
Profit for the year	-	1,77,54,523	1,77,09,123
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2015	<u>67,37,17,949</u>	<u>(17,406,555)</u>	<u>65,62,65,994</u>
Balance at 01 April 2015	67,37,17,949	(17,406,555)	65,62,65,994
Profit for the year	-	21278244	2,12,77,244
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2016	<u>67,37,17,949</u>	<u>38,71,689</u>	<u>67,75,43,238</u>



MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016

	Note	The Group		The Company	
		2016 Rs.	2015 Rs.	2015 Rs.	2015 Rs.
Cash flow from operating activities					
Profit before tax		2,66,41,541	2,40,52,261	2,66,42,541	2,40,97,661
Adjustments for:-					
Depreciation		14,82,32,277	13,92,44,829	14,82,32,277	13,92,44,829
Interest received		(20,31,357)	(15,63,231)	(20,31,357)	(15,63,231)
Cost of subscribers acquisition (obsolete stock written-off)		51,26,905	-	51,26,905	-
Operating profit before working capital changes		17,79,69,366	16,17,33,859	17,79,70,366	16,17,79,259
Decrease in inventories		14,21,226	14,54,431	14,21,226	14,54,431
Decrease / increase in trade and other receivables		1,32,24,276	(1,01,89,112)	1,32,23,276	18,10,888
Decrease in trade and other payables		(1,73,79,035)	(8,01,33,152)	(1,73,79,035)	(8,01,78,552)
Cash generated from operations		17,52,35,833	7,28,66,026	17,52,35,833	8,48,66,026
Solidarity levy paid for prior year		-	-	-	-
Interest received		20,31,357	15,63,231	20,31,357	15,63,231
Net cash generated from operating activities		17,72,67,190	7,44,29,257	17,72,67,190	8,64,29,257
Cash flows from investing activities					
Purchase of investment in subsidiary		-	-	-	(12,000,000)
Movement in equipment under construction		-	12,92,20,768	-	12,92,20,768
Purchase of property, plant and equipment		18,45,10,364	(13,26,50,842)	18,45,10,364	(13,26,50,842)
Net cash used in investing activities		18,45,10,364	(34,30,074)	18,45,10,364	(1,54,30,074)
Net movement in cash and cash equivalents		(72,43,174)	7,09,99,183	(72,43,174)	7,09,99,183
Movements in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		14,05,23,734	6,95,24,551	14,05,23,734	6,95,24,551
Cash and cash equivalents at the end of the year	9	13,32,80,560	14,05,23,734	13,32,80,560	14,05,23,734
Net movement in cash and cash equivalents		(72,43,174)	7,09,99,183	(72,43,174)	7,09,99,183



MAHANAGAR TELEPHONE (MAURITIUS) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

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 Adoption of New and Revised IFRSs

The accounting policies adopted are consistent with those of the previous financial year except that in the current year, the Group and the Company has adopted all the amendments to IFRSs issued that are relevant to its operations and effective for annual periods beginning on 1 January 2015. The adoption of these amendments to IFRSs has had no material financial impact on the financial performance and financial position of the Group and the Company.

2.2 New and revised IFRSs issued but not yet effective

As at the date of these financial statements, the Group and the Company have not adopted the following standards that have been issued but are not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>IFRS 9, Financial Instruments</i>	<i>01-Jan-18</i>
<i>IFRS 15, Revenue from Contracts with Customers</i>	<i>01-Jan-18</i>
<i>IFRS 16, Leases</i>	<i>01-Jan-19</i>
<i>Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities: Applying the Consolidation Exception</i>	<i>01-Jan-16</i>
<i>Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	<i>01-Jan-16</i>
<i>Amendment to IFRS 11, Accounting for Acquisition of Interest in Joint Operations</i>	<i>01-Jan-16</i>
<i>Amendment to IAS 1, Presentation of Financial Statements: Disclosure Initiative</i>	<i>01-Jan-16</i>
<i>Amendment to IAS 7, Statement of Cash Flows</i>	<i>01-Jan-17</i>
<i>Amendment to IAS 12, Income taxes - Recognition of deferred tax assets for unrealised losses</i>	<i>01-Jan-17</i>
<i>Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation</i>	<i>01-Jan-16</i>
<i>Amendments to IAS 16 and IAS 41, Agriculture: Bearer Plants</i>	<i>01-Jan-16</i>
<i>Amendment to IAS 27, Equity Method in Separate Financial Statements</i>	<i>01-Jan-16</i>
<i>Improvements to IFRSs (2014)</i>	
<i>- IAS 19, Employee Benefits</i>	<i>01-Jan-16</i>
<i>- IFRS 7, Financial Instruments: Disclosures</i>	<i>01-Jan-16</i>

Except as disclosed below, the directors of the Company expect the adoption of the other standards above will have no material financial impact on the financial statements in the period of initial application.

2.2 New and amendments to IFRSs issued but not yet effective (continued)

As at the date of these financial statements, the Group and the Company have not adopted the following standards that have been issued but are not yet effective:

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss;
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no

longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Group and the Company anticipate that the application of IFRS 9 in the future may have an impact on amounts reported in respect of the Group's and the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group and the Company undertakes a detailed review.

The amendments are effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the Group and the Company anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's and the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group and the Company performs a detailed review.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS.

The Group and the Company is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors of the Group and the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Group's and the Company's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of fixed assets. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- (a) when the intangible asset is expressed as a measure of revenue; or
- (b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group and the Company uses the straight-line method for depreciation and amortisation for its fixed assets and intangible assets respectively. The directors of the Group and the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors do not anticipate that the application of these amendments to IAS 16 and IAS 38 will have an impact on the Group's and the Company's financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments to IFRS 10, IFRS 12 and IAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

The directors of the Group and the Company do not anticipate that the application of these amendments to IFRS 10, IFRS 12 and IAS 28 will have a material impact on the Group's consolidated financial statements as the Group is not an investment entity and does not have any holding company, subsidiary, associate or joint venture that qualifies as an investment entity.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 5 introduce specific guidance in IFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in IFRS 5 regarding the change of sale plan do not apply. The amendments also clarifies the guidance for when held-for-distribution accounting is discontinued.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to IAS 19 clarify that the rate used to discount post-employment benefit obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The directors of the Group and the Company do not anticipate that the application of these amendments will have an impact on the Group's and the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(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) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not premeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination.

This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Revenue recognition

Revenue from sale of goods and rendering of services

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and is shown net of Value Added Tax.

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.

The two subsidiaries of the Company had not yet started operations during the year under review and, as such, did not derive any income.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(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 profit & loss and other comprehensive income.

(f) Operating lease

The Company as lessee

Payments made under operating leases are recognised in the statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease.

The Company as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(g) Investment in Subsidiaries

Subsidiaries are entities over which the Company has control. The Company controls an entity if and only if it has power over the entity and when it is exposed to, or has rights to variable returns from its involvement with the entity, and has the ability to use its power over the entity to affect those returns. The Company will re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Investment in subsidiaries is stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down to its recoverable amount.

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

(i) Stated capital

Ordinary shares are classified as equity.

(j) 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.

(k) Financial Instruments

The Group and the Company classifies non-derivative financial assets into the following category: loans and receivables.

The Group and the Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Group and the Company initially recognises loans and receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

The Group and the Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group and the Company is recognised as a separate asset or liability.

The Group and the Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group and the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Cash and cash equivalents

Cash comprises cash at bank and in hand. 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.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

(iv) Impairment

Non-derivative financial assets

Financial assets not classified as at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets are impaired includes:

- default or delinquency by a debtor;
- restructuring of an amount due to the Group and the Company on terms that the Group and the Company would not consider otherwise;
- indications that a debtor or issuer will enter bankruptcy.

(v) Financial assets measured at amortised cost

The Group and the Company considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group and the Company uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group and the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(l) Provisions

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) 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 profit or loss and other 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.

During the year ended 31st March, 2015, the Board of Directors of the Group and the Company decided to reduce the remaining useful lives of existing assets. The depreciation rates for the current and future years were adjusted accordingly.

The annual depreciation rates used are as follows:

Building	- 4.75 %
Computer equipment	- 31.67 %
Furniture, fixtures and fittings	- 9.50 %
Office equipment	- 19.00 %
Motor vehicles	- 11.88 %
Plant and equipment (Outdoor)	- 10.00 %
Plant and equipment (Indoor)	- 13.57 %

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.

(n) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the FIFO basis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s and 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 Group’s and 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.

4.2 Going concern

The Group's and the Company's management has made an assessment of the Group's and the Company's ability to continue as a going concern and is satisfied that the Group and the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

5. Property, Plant and Equipment

The group and the company

	Building Rs	Computer equipment Rs	Furniture, fixtures and fittings Rs	Office equipment Rs	Motor vehicles Rs	Plant and equipment Rs.	Total Rs
COST/VALUATION							
At 01 April 2015	13,00,67,355	9,67,858	1,07,11,379	1178493	44,78,611	1,10,66,59,018	1,25,40,62,714
Additions	69,43,504	-	7,14,867	53700	-	17,67,98,294	18,45,10,365
Disposal	-	-	-	-	-	(86,47,791)	(86,47,791)
At 31 March 2016	13,70,10,859	9,67,858	1,14,26,246	12,32,193	44,78,611	1,27,48,09,521	1,42,99,25,288
DEPRECIATION							
At 01 April 2015	57,96,948	8,47,737	35,62,743	9,14,435	11,82,628	53,97,55,018	55,20,59,510
Charge for the year	60,40,065	64,176	13,78,197	66,756	4,79,676	14,02,03,407	14,82,32,277
Disposal adjustment	-	-	-	-	-	(35,20,886)	(35,20,886)
At 31 March 2016	1,18,37,013	9,11,913	49,40,940	9,81,191	16,62,304	67,64,37,539	69,67,70,901
NET BOOK VALUE							
At 31 March 2016	12,51,73,846	55,945	64,85,306	2,51,002	28,16,307	59,83,71,982	73,31,54,387
At 31 March 2015	12,42,70,407	1,20,121	71,48,636	2,64,058	32,95,983	56,69,04,000	70,20,03,205

6. Investment in subsidiaries

	The Company	
	2016 Rs.	2015 Rs.
Unquoted investment at cost		
At 01 April 2015	1,20,00,000	-
Additions	-	1,20,00,000
As 31 March 2016	1,20,00,000	1,20,00,000

Details of Company's investment in subsidiaries:-

Name of Company	Country of Incorporation	Class of Shares	Principal Activity	2016	
				Nominal Value of Investment Rs.	Holding %
MTML Data Ltd	Mauritius	Ordinary	Telecommuni-cations	2,000,000	100
MTML Interna-tional Ltd	Mauritius	Ordinary	Telecommuni-cations	10,000,000	100

7. Inventories

	The Group and the Company	
	2016	2015
	Rs.	Rs.
Stock of Subscribers Equipment	<u>30,26,471</u>	<u>44,47,697</u>

Note:

- All stocks were at costs
- All costs of inventories have been expensed during the year.
- The above inventories are held free of any charge.

8. Trade and other receivables

	The Group		The Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Trade receivables	<u>4,50,01,845</u>	5,81,36,639	<u>4,50,01,845</u>	5,81,36,639
Other receivables and prepayments	<u>1,52,52,901</u>	<u>1,53,42,383</u>	<u>1,52,99,301</u>	<u>1,53,87,783</u>
	<u>6,02,54,746</u>	<u>7,34,79,022</u>	<u>6,03,01,146</u>	<u>7,35,24,422</u>

9. Cash and cash equivalents

	The Group and The Company	
Interest bearing deposits	5,75,00,000	5,94,95,000
Cash at bank	7,55,04,463	8,10,01,401
Cash in hand	<u>2,76,097</u>	<u>27,333</u>
	<u>13,32,80,560</u>	<u>14,05,23,734</u>

10. Stated Capital

	The Group and The Company	
Ordinary shares of no par value	<u>67,37,17,949</u>	<u>67,37,17,949</u>

11. Revenue reserves / (accumulated losses)

	The Group		The Company	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
At 01 April 2015	<u>(1,74,51,955)</u>	<u>(3,51,61,078)</u>	<u>(1,74,06,555)</u>	<u>(3,51,61,078)</u>
Total comprehensive income for the year	<u>2,12,77,244</u>	<u>1,77,09,123</u>	<u>2,12,78,244</u>	<u>1,77,54,523</u>
At 31 March 2016	<u>38,25,289</u>	<u>(1,74,51,955)</u>	<u>38,71,689</u>	<u>(1,74,06,555)</u>

12. Trade and other payables

	The Group		The Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Trade payables	<u>11,23,30,745</u>	8,06,47,477	<u>11,23,30,745</u>	8,06,47,477
Other payables	<u>9,96,99,407</u>	14,33,93,028	<u>11,16,99,407</u>	15,53,93,028
Amount due to holding company	<u>1,90,31,993</u>	2,44,00,675	<u>1,90,31,993</u>	2,44,00,675
	<u>23,10,62,145</u>	<u>24,84,41,180</u>	<u>4,30,62,145</u>	<u>26,04,41,180</u>

13. Other income

	The Group and The Company	
	2016	2015
Other income	<u>11,55,676</u>	<u>3,82,486</u>

14. Net Finance Income

	The Group and The Company	
	2016	2015
Interest income	20,31,357	15,63,231
Foreign exchange gain	<u>28,37,728</u>	<u>18,34,906</u>
	<u>48,69,085</u>	<u>33,98,137</u>

15. Taxation

The Group and the Company is liable to income tax at the rate of 15% (2015: 15%) on its profit as adjusted for tax purposes. No provision for corporate tax was made in the accounts as the Group and the Company has accumulated tax losses brought forward.

	The Group		The Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Current tax charge	-	-	-	-
Corporate Social Responsibility (CSR) provision	-	-	-	-
Deferred tax charge	<u>53,64,297</u>	63,43,138	<u>53,64,297</u>	63,43,138
Total tax expense for the year	<u>53,64,297</u>	63,43,138	<u>53,64,297</u>	63,43,138
Reconciliation of effective taxation				
Profit before taxation	<u>2,66,41,541</u>	<u>2,40,52,261</u>	<u>2,66,42,541</u>	<u>2,40,97,661</u>
Income tax at 15%	<u>39,96,231</u>	36,14,649	<u>39,96,381</u>	36,14,649
Non-allowable expenses	<u>17,916</u>	28,489	<u>17,916</u>	28,489
Tax rate differential	<u>13,50,000</u>	27,00,000	<u>13,50,000</u>	27,00,000
	<u>53,64,147</u>	<u>63,43,138</u>	<u>53,64,297</u>	<u>63,43,138</u>
Deferred tax liabilities				
At 01 April 2015	<u>(1,57,46,484)</u>	(94,03,346)	<u>(1,57,46,484)</u>	(94,03,346)
Movement during the year	<u>(53,64,297)</u>	(63,43,138)	<u>(53,64,297)</u>	(63,43,138)
At 31 March 2016	<u>(2,11,10,781)</u>	<u>(1,57,46,484)</u>	<u>(2,11,10,781)</u>	<u>(1,57,46,484)</u>

Deferred tax liabilities are analysed as follows:

Accelerated capital allowances	(5,11,40,294)	(5,17,58,924)	(5,11,40,294)	(5,17,58,924)
Tax losses	2,86,79,513	3,33,12,440	2,86,79,513	3,33,12,440
Provision for bad debts	13,50,000	27,00,000	13,50,000	27,00,000
	<u>(2,11,10,781)</u>	<u>(1,57,46,484)</u>	<u>(2,11,10,781)</u>	<u>(1,57,46,484)</u>

16. Earnings per share

The calculation of earnings per share is based on the 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 2016.

17. Profit from operations

	The Group and The Company	
	2016	2015
	Rs.	Rs.
Profit from operations is arrived at after charging the following items:-		
Staff costs	1,50,36,820	1,20,73,129
Director's fees	15,000	15,000
Depreciation on property, plant and equipment	14,82,32,277	13,92,44,829
Auditors' remuneration	90,000	90,000
Number of employees at end of the year	12	12

18. Related party transactions

The Group and The Company

The Company had the following transactions and balances with related parties.

Remuneration and other short term benefits to key management personnel	44,60,477	37,97,897
Amount due to holding company	1,90,31,993	2,44,00,675

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

19. Holding company

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

20. Commitments

(a) Operating leases

Leases as lessee

The future aggregate minimum lease payments for operating leases cancellable with six months notice amount to Rs. 13,225,000.

(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 17,323,506/-. The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

(c) Capital commitments

Capital expenditure contracted and not provided for in the financial statements amount to NIL.

21. Financial instruments

Capital management

The Group's and the Company's primary objectives when managing capital are to safeguard the Group's and the Company's ability to continue as a going concern. As the Group and the Company is part of a larger group, the Group's and the Company's sources of additional capital and policies for distribution of excess capital may also be affected by the group's capital management objectives.

The Group and the Company defines "capital" as including all components of equity.

The Group's and the Company's capital structure is regularly reviewed and managed with due regard to the capital management practices of the group to which the Group and the Company belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company and additional needs for capital.

The Group's and the Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Fair value

The Group's and the Company's financial assets and liabilities include trade and other receivables, cash and cash equivalents and trade and other payables.

Fair values of financial assets and liabilities

As at 31 March 2016, the carrying amounts of the following financial assets and financial liabilities shown on the statement of financial position represent or approximate their fair value.

The GROUP	2016		2015	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
<i>Financial assets</i>				
Trade and other receivables	6,02,54,746	6,02,54,746	7,34,79,022	7,34,79,022
Cash and cash equivalents	13,32,80,560	13,32,80,560	14,05,23,734	14,05,23,734
	<u>19,35,35,306</u>	<u>19,35,35,306</u>	<u>21,40,02,756</u>	<u>21,40,02,756</u>
<i>Financial liabilities</i>				
Trade and other payables	<u>23,10,62,145</u>	<u>23,10,62,145</u>	<u>24,84,41,180</u>	<u>24,84,41,180</u>
The COMPANY	2016		2015	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
<i>Financial assets</i>				
Trade and other receivables	6,03,01,146	6,03,01,146	7,35,24,422	7,35,24,422
Cash and cash equivalents	13,32,80,560	13,32,80,560	14,05,23,734	14,05,23,734
	<u>19,35,81,706</u>	<u>19,35,81,706</u>	<u>21,40,48,156</u>	<u>21,40,48,156</u>
<i>Financial liabilities</i>				
Trade and other payables	<u>24,30,62,145</u>	<u>24,30,62,145</u>	<u>26,04,41,180</u>	<u>26,04,41,180</u>

(a) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) *Currency risk*

The Group and the Company has assets and liabilities denominated in foreign currencies. Consequently, the Group and 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 Group's and the Company's assets and liabilities which are denominated in foreign currencies. The figures in the table below are all presented in MUR.

The Group	2016		2015	
	Financial assets	Financial liabilities	Financial assets	Financial liabilities
	Rs	Rs	Rs	Rs
Mauritian Rupee (MUR)	15,03,22,845	17,93,50,080	13,60,28,237	16,51,38,975
United States Dollar (USD)	2,49,79,680	5,17,12,065	3,24,27,595	8,33,02,205
Euro (EUR)	1,82,32,781	-	4,55,46,924	-
	19,35,35,306	23,10,62,145	21,40,02,756	24,84,41,180

Sensitivity analysis

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against USD at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Group	Rate – MUR/USD		2016	2015
	2016	2015	Rs	Rs
	Assume increase of 1% in exchange rate			
Before sensitivity analysis	34.84	35.81	(2,67,32,385)	(5,08,74,610)
Increase of 1%	35.19	36.17	(2,69,99,709)	(5,13,83,356)
Difference			2,67,324	5,08,746

A 1 percent weakening of MUR against USD at 31 March would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Group	Rate – MUR/USD		2016	2015
	2016	2015	Rs	Rs
	Assume decrease of 1% in exchange rate			
Before sensitivity analysis	34.84	35.81	(2,67,32,385)	(5,08,74,610)
Decrease of 1%	34.49	35.45	(2,64,65,061)	(5,03,65,864)
Difference			(2,67,324)	(5,08,746)

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against EUR at 31 March would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Group	Rate – MUR/EUR		2016	2015
	2016	2015	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	39.44	40.87	1,82,32,781	4,55,46,924
Increase of 1%	39.83	41.28	1,84,15,109	4,60,02,393
Difference			(1,82,328)	(4,55,469)

A 1 percent weakening of MUR against EUR at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Group	Rate – MUR/EUR		2016	2015
	2016	2015	Rs	Rs
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	39.44	40.87	1,82,32,781	4,55,46,924
Decrease of 1%	39.04	40.46	1,80,50,453	4,50,91,455
Difference			1,82,328	4,55,469

The Company	2016		2015	
	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs
Mauritian Rupee (MUR)	15,03,69,245	19,13,50,080	13,60,73,637	17,71,38,975
United States Dollar (USD)	2,49,79,680	5,17,12,065	3,24,27,595	8,33,02,205
Euro (EUR)	1,82,32,781	-	4,55,46,924	-
	19,35,81,706	24,30,62,145	21,40,48,156	26,04,41,180

Sensitivity analysis

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against USD at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Company	Rate – MUR/USD		2016	2015
	2016	2015	Rs	Rs
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Before sensitivity analysis	34.84	35.81	(2,67,32,385)	(5,08,74,610)
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	2016	2015	Rs	Rs
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Before sensitivity analysis	39.44	40.87	1,82,32,781	4,55,46,924
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The Company	Rate – MUR/EUR		2016	2015
	2016	2015	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	34.84	35.81	(2,67,32,385)	(5,08,74,610)
Increase of 1%	34.49	35.45	(2,64,65,061)	(5,03,65,864)
Difference			(2,67,324)	(5,08,746)

(ii) Interest rate risk

Financial instruments subject to interest rate risk consist of bank balances. Interest rates applicable to bank balances fluctuate with movements in the prime lending rate and are comparable with rates currently available on the market. The Group's and the Company's variable interest rate instruments are analysed as follows:

	The Group and The Company	
	2016	2015
	Rs.	Rs.
Bank balances	13,30,04,463	14,04,96,401
Interest rate sensitivity analysis		

The sensitivity analysis below has been determined based on the group's and the Company's exposure to interest rates for interest bearing assets and liabilities at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates.

If interest rates had been 50 basis points higher and all other variables were held constant, the Group's and the Company's net profit for the year ended 31 March 2016 would have increased by Rs. 665,022 (2015: Rs.702,481).

If interest rates had been 50 basis points lower it would have had the equal but opposite effect, on the basis that all other variables remain the same.

(a) Market risk (Continued)

(iii) Price risk

The Group and the Company is not faced with any price risk.

(b) Credit risk

The Group and the Company has no significant concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group and 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 Group and the Company has access to its holding company 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.

22. Financial Summary	2016	2015	2014	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.
The Company					
Issued and fully paid up share capital	67,37,17,949	67,37,17,949	67,37,17,949	67,37,17,949	67,37,17,949
Revenue reserves / (accumulated losses)	38,71,689	(1,74,06,555)	(3,51,61,078)	(3,57,37,043)	(42,441,705)
Profit before taxation	2,66,42,541	2,40,97,661	1,94,60,942	1,11,31,109	31,852,131
Profit after taxation	2,12,78,244	1,77,54,523	1,38,00,972	67,04,662	24,516,154

23. Reclassification of comparative figures

Some comparative figures were reclassified during the year under review, as follows:

	2015		
	Before reclassification	Reclassification	After reclassification
	Rs.	Rs.	Rs.
Personnel expenses			
Other benefits	21,76,197	(18,34,756)	3,41,441
Administrative expenses			
Travelling expenses	-	18,34,756	18,34,756

24. 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 2016.

25. Cost of sales

	The Group		The Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Roaming Charges	1,18,82,650	79,93,088	1,18,82,650	79,93,088
ICTA Special account fee / Universal Service Fund Charges	2,31,61,809	3,04,26,869	2,31,61,809	3,04,26,869
Carrier charges	5,50,18,142	3,07,59,747	5,50,18,142	3,07,59,747
IPLC charges	1,60,80,160	1,31,86,588	1,60,80,160	1,31,86,588
Cost of subscribers acquisition (obsolete stock written-off)	51,26,905	-	51,26,905	-
IUC charges	4,40,09,483	4,42,35,381	4,40,09,483	4,42,35,381
	15,52,79,149	12,66,01,673	15,52,79,149	12,66,01,673

26. Personnel expenses

Salaries and allowances	1,45,51,625	1,17,31,688	1,45,51,625	1,17,31,688
Other benefits	4,85,195	3,41,441	4,85,195	3,41,441
	1,50,36,820	1,20,73,129	1,50,36,820	1,20,73,129

27. Licence fees

PLMN	80,00,004	80,00,004	80,00,004	80,00,004
ILD	19,99,992	19,99,992	19,99,992	19,99,992
Microwave	46,11,258	18,64,008	46,11,258	18,64,008
Spectrum	37,56,000	31,74,600	37,56,000	31,74,600
ISP	50,000	50,000	50,000	50,000
Dealership	5,000	5,000	5,000	5,000
GSM Spectrum	9,99,996	9,99,996	9,99,996	9,99,996
GSM 3G	38,40,000	30,00,000	38,40,000	30,00,000
	2,32,62,250	1,90,93,600	2,32,62,250	1,90,93,600

28. Administrative expenses

	The Group		The Company	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Meeting expenses	1,19,438	1,89,928	1,19,438	1,89,928
Fraud tracking charges	1,40,77,201	2,14,05,537	1,40,77,201	2,14,05,537
Rental for ebene	3,44,171	3,27,000	3,44,171	3,27,000
Rental accomodation	9,20,994	9,79,356	9,20,994	9,79,356
Rental BTS sites	2,15,06,455	1,73,87,090	2,15,06,455	1,73,87,090
Electricity	3,86,40,780	2,84,25,272	3,86,40,780	2,84,25,272

Water charges	2,42,531	3,75,278	2,42,531	3,75,278
Motor vehicle running expenses	6,35,163	6,42,258	6,35,163	6,42,258
Vehicle hire charges	-	69,436	-	69,436
SMS Expenses	15,73,730	-	15,73,730	-
Repairs and maintenance - office	17,24,341	10,06,393	17,24,341	10,06,393
Repairs and maintenance - shop	4,25,543	4,03,920	4,25,543	4,03,920
Repairs and maintenance - equipment	2,41,74,178	1,70,26,250	2,41,74,178	1,70,26,250
Repairs and maintenance - other	6,79,421	5,84,025	6,79,421	5,84,025
Maintenance sites	43,45,439	1,26,66,374	43,45,439	1,26,66,374
Printing	6,41,072	12,17,775	6,41,072	12,17,775
Stationery	3,45,915	2,97,800	3,45,915	2,97,800
Communication expenses	15,38,119	17,30,314	15,38,119	17,30,314
Bank charges	10,13,859	10,47,623	10,13,859	10,47,623
Library books	20,314	19,470	20,314	19,470
Horticulture expenses	1,69,835	2,33,520	1,69,835	2,33,520
Computer consumables and repairs	77,830	1,29,166	77,830	1,29,166
Professional charges	4,92,527	2,22,392	4,92,527	2,22,392
General expenses	3,99,521	2,81,727	3,99,521	2,81,727
Value Added Service- Revenue share	19,38,373	-	19,38,373	-
Commission and brokerage fees	3,14,08,738	3,24,26,141	3,14,08,738	3,24,26,141
Office insurance	8,28,998	10,14,443	8,28,998	10,14,443
Security charges	6,21,942	6,23,599	6,21,942	6,23,599
Licences, rates and taxes	26,66,295	26,29,052	26,65,295	25,83,652
Provision for bad debts	90,00,000	1,80,00,000	90,00,000	1,80,00,000
Lease rental	1,68,000	1,68,000	1,68,000	1,68,000
Freight charges	1,86,458	19,319	1,86,458	19,319
Directors fee	15,000	15,000	15,000	15,000
Travelling expenses	31,11,426	18,34,756	31,11,426	18,34,756
Custom duty and clearance	1,87,864	3,44,954	1,87,864	3,44,954
	16,42,41,471	16,37,43,168	16,42,40,471	16,36,97,768

29. Marketing expenses

Electricity for shops	6,54,057	4,35,044	6,54,057	4,35,044
Club membership	16,000	18,323	16,000	18,323
Rent of shops	30,34,645	29,97,386	30,34,645	29,97,386
Call centre charges	60,11,145	59,66,640	60,11,145	59,66,640
Publicity and advertisement	1,21,89,122	1,17,29,097	1,21,89,122	1,17,29,097
Website development and maintenance	72,700	18,800	72,700	18,800
	2,19,77,669	2,11,65,290	2,19,77,669	2,11,65,290



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