MTNL

Thirty Second Annual Report 2017-18

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".

APPEAL TO THE SHAREHOLDERS

All Shareholders who have not submitted their e-mail addresses are requested to send the same on mtnlcsco@gmail.com / beetalrta@gmail.com as under:

Name:

Folio No:

DP ID/ Client ID:

Email ID:

No. of Shares:

MTNL

CONTENTS

BOARD OF DIRECTORS
(AS ON 21.08.2018)

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
Shri Chinmay Basu	Independent Director
Shri K.B. Gokulachandran	Independent Director
Ms. Padmaja Reddy	Independent Director
Ms. Suneeta Trivedi	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

(1) M/s KUMAR VIJAY GUPTA & CO.
Chartered Accountants

408, New Delhi House, Barakhamba Road, Connaught Place, New Delhi- 110001
Phone: 011-23314525/26,45562649

(2) 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

SECRETARIAL AUDITOR

M/s Hemant Kumar Singh & Associates

Company Secretaries

306, Surya Complex, 21 Veer Savarkar Block, Shakarpur
Near Nirman Vihar Metro Station,
New Delhi-110092
Phone: 011-43011821/ 9717792134
Email Id : hemantsinghcs@gmail.com

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
Punjab & Sindh Bank, New Delhi
Yes Bank Limited, New Delhi
IndusInd Bank, Mumbai
Andhra Bank
Bank of India, New Delhi
HDFC Bank, New Delhi
UCO Bank

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Name:

Folio No:

DP ID/ Client ID:

Email ID:

No. of Shares:

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

SEBI Registration Number : INR000000262

E-Voting Agency : National Securities Depository Ltd.(NSDL)

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

Scrutinizer : M/s Hemant Singh & Associates Company Secretaries

E-mail ID: hemantsingcs@gmail.com

Investor Helpdesk

Ph: 011-24317225, Fax: 011-24316655

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

32nd Annual General Meeting on Friday, 28th September, 2018 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 32nd 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 31st, 2018.

PERFORMANCE REVIEW OF MTNL FOR THE FY 2017-18

A. Mobile Network:

MTNL has undertaken the task of improving the Wireless Network in Delhi and Mumbai so as to improve the downlink speed of 21.1 Mbps & uplink speed of 5.76 Mbps which is presently of 3.6 Mbps & 384 Kbps respectively with following major projects:

I. Expansion of GSM / 3G RF network by adding 1080 nos. of 3G sites & 800 nos. of hybrid microwave to meet the backhaul capacity and Data handling capacity to 10 Gbps and Upgradation / replacement of existing 3G network (720 Node-Bs) and 754 nos. of existing 8Mbps Microwave Hops to 400 Mbps capacity in MTNL Delhi:

Project implementation kicked off in 2017 with following current status:

- While 730 new Node-Bs have been put on air, 470 sites have been upgraded in the year 2017-18.
- 451 new microwave hops were commissioned while 518 Hybrd Microwave have been upgraded/ redeployed in Delhi in 2017-18.
- 160 Node-Bs have been shifted to Optical Fiber backhaul.

II. 3G Network Up-gradation of existing 3G network (720 Node-Bs) and 497 nos. of existing 8Mbps Microwave Hops to 400 Mbps in Mumbai:

Project implementation kicked off in 2017 with following current status:

- 695 Node B's have already been upgraded for 21Mbps speed.

B. Redeployment of DSLAMs of existing Broadband Network near to the subscriber premises in Delhi and Mumbai thereby reducing copper length and enhancing the quality of broadband service. A total of 220 DSLAMs have been redeployed in Delhi and 174 in Mumbai. In the year 2017-18, 47 DSLAMs in Delhi and 23 in Mumbai have been redeployed thereby reducing copper length and enhancing the quality of Broadband service. This has improved customer experience and reduced the number of complaints.

C. This year, MTNL finalized and made operational its new policy to engage partners on revenue share basis to extend its FTTx services. 20 Partners in Mumbai and 14 partners in Delhi have already started to provide BB over FTTH at speeds upto 100 Mbps.

D. Initiatives for Additional revenue:

- Millennium Telecom Limited (MTL) - a subsidiary of MTNL, has signed a joint venture with New Delhi Municipal Council Smart City Limited, a public limited company wholly owned by NDMC - to develop telecom access networks in NDMC areas to provide FTTH (Fibre to the Home) to the residents.
- MTNL has signed an MoU with NDMCSCL on 18.08.2017, with the objective to provide various services like FTTH, Public Wi-Fi for making NDMC area as a SMART City. The project involves around 2000 FTTH connections in CP area and approx.150 public Wi-Fi Network comprising Core Network and Access Points for Wi-Fi enabling of CP. The estimated cost of this project is around 8 Crore. All Investments are to be done by NDMCSCL and the assets will belong to NDMCSCL. MTNL will ensure SLA and all licensing and Regulatory requirements for the services

E. Steps taken in Customer centric Strategies, to make MTNL a profitable venture:

- Tariff of Wireless services has been rationalized significantly in view of the cut throat competition. MTNL now offers three times more data in the same price.
- To give boost to customer experience, Download Speed of Broadband subscribers is being upgraded to 8 Mbps progressively without any additional cost depending upon feasibility and line parameters.
- Tariff re-balancing of Broadband service has been done for giving more competitive and attractive tariff package to the customers.
- Training is being given to line staff to improve maintenance and installation practices.
- Refurbishing of 20% Pillars and DPs every year, is planned in phased manner. 1113 Pillar and 4,697 DP in Delhi & 1677 Pillar and 3563 DPs in Mumbai have been refurbished by MTNL this year.
- To improve copper pair quality, 81,492 mtr existing Drop wires have been replaced with twisted drop wires or thermo sleeves have been put at open joints at DPs by MTNL this year.
- Proactive Monitoring of Broadband Faults through Radius attempt.

MTNL displayed an exemplary spirit of Collective efforts when its staff attended more than 25,000 Broadband subscribers affected by Malware recently and resolved the complaints within Four (4) Days including Saturday and Sunday.

FINANCIAL RESULTS FOR THE F.Y. 2017-18

The Standalone and Consolidated Financial highlights of your company for the Financial Year ended March 31st, 2018 are summarized as follows:

Sources and Application of funds for the FY 2017-18 are given below:-

(IN CRORES ₹)

	Standalone		**Consolidated (MTNL, its Subsidiaries, JV & Associates)**	
	2017-18	**2016-17**	**2017-18**	**2016-17**
Income from Operations	2,371.91	2,869.68	2,471.86	2,969.37

Expenditures (Excluding Finance Cost)	4,584.38	5,049.44	4,682.72	5,146.47
Operating Profit/(Loss)	**(2,212.47)**	**(2,179.76)**	**(2,210.86)**	**(2177.10)**
Other Income	744.51	682.78	745.34	685.32
Finance Cost	1,505.49	1,448.47	1,505.49	1448.47
Profit/(Loss) before Tax	**(2,973.45)**	**(2,945.45)**	**(2,971.01)**	**(2940.25)**
Exceptional Items	-	-	-	-
Share of profit/(loss)in investments accounted for using equity methods	-	-	0.57	0.69
Tax Provision for the Year	-	(4.38)	0.90	(3.51)
Profit/ (Loss) for the Year from Continuing Operations	(2,973.45)	(2,941.07)	(2,971.33)	(2,936.05)
Profit/ (Loss) for the Year from Discontinuing Operations	0.42	-	0.42	-
Profit/ (Loss) for the Year	**(2,973.03)**	**(2,941.07)**	**(2,970.91)**	**(2,936.05)**
Other Comprehensive Income	2.38	(29.49)	12.78	(32.83)
Total Comprehensive Income for the Year	(2,970.65)	(2,970.56)	(2,958.14)	(2,968.88)
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
Other Equity	(6,967.35)	(3,996.70)	(6,962.01)	(4,003.85)
Non-Current and Current Borrowings	17,014.79	15,196.55	17014.79	15,196.55
Deferred Tax Liability (Net)	-	-	5.71	4.60
REPRESENTED BY				
Property, Plant and Equipment (Net Block)	4,575.15	4,808.32	4,687.53	4,928.12
Capital Work in progress	330.98	291.34	330.98	291.34
Investment Property	25.57	46.52	35.36	53.68
Intangible Asset (Net Block)	3,439.27	3,776.69	3,440.71	3,777.69
Investment	106.13	141.98	4.37	3.81
Other Assets	7,772.56	8,598.11	7,792.25	8,638.63
Other Liabilities	5,572.23	5,833.11	5602.70	5,865.97

INFORMATION REGARDING ISSUE OF BONDS BY MTNL DURING FINANCIAL YEAR 2017-18.

The Company has not issued any debenture/ bonds during Financial Year 2017-18.

DIVIDEND

Since there has been no operating profit, 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, 2018, your company has two subsidiaries and one Joint Venture and one Associate company. There has been no material change in the nature of the business of the Subsidiaries. Pursuant to the 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 and published in this report. 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 have been published with this report and the same are also available on the website of the Company.

The other details of Subsidiaries and Joint Venture Companies are briefly given as under:-

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

MTML is a 100% subsidiary of MTNL. The company is having license for mobile services, international long distance services and internet services. The customer base of MTML as on 31st Mar.'18 has grown to 307,819 resulting in a market share of around 20%. MTML is offering 2G/3G services in all over island and 4G at selected areas. First phase of 4G expansion has been completed by June'17, as targeted, by which now 80% of the island is covered by our 4G network.

MTML has earned a gross revenue of approx INR 965 Million during the financial year 2017-18 as against INR 971 Million in the corresponding period of last fiscal year. In terms of MUR there is a slight fall in revenue due to change in customer usage pattern with majority of customers using data for ILD calls as well as local calls and using chat applications instead of SMS etc., intense competition and saturated market. However the company could post its net profit to INR 37.32 Million with precise management of available resources.

During the Financial Year 2017-18 MTML had total Turnover amounting to MUR 49,59,51,228/- as against MUR 52,10,54,488/- in FY 2016-17. During the Financial Year 2017-18 MTML has earned Profit amounting to MUR 1,98,60,562/- as against MUR 2,15,35,007/- in FY 2016-17.

During 2017-18 MTML has deployed UMTS-900 and augmented its 4G Network. MTML has built up a network over diversified technology with CDMA and GSM having 2G, 3G (UMTS -900 & 2100) along with 4G on a transmission backbone over Digital Microwave with dual ring topology. MTML made inroads in Enterprise Business solutions as well and could get a few dozen Enterprise customers in the year.

MTML has also started retail marketing of popular Mobile phone brands such as Apple, Samsung, Huawei, Nokia etc. after entering into agreements with main distributers of these brands at Mauritius. In this financial year the Company could generate revenue of approx. INR 10 million from this segment.

MTML is well established in Mauritius due to its innovative tariff structure and on the merit of its state of art technical offerings. The Company is always exploring new business possibilities and is looking to consolidate its position in the market on the basis of a strong 4G network. MTML has been conferred with Mauritius Best Employer Brand Award 2017 in the 12th Employer Branding Awards function of World HRD Congress held in Mauritius on 5th December, 2017.

All the expenses of the company are paid from its own internal resources. The CAPEX for procurement of equipment's is totally met from its own internal resources. 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 got "Excellent" MoU rating for the outstanding performance in 2016-17.

Services being offered by MTL include Telecom consultancy & engineering, Project Management, Wi-Fi solution, project on e-governance, Managed services, Turnkey ICT solution, GIS based services, capacity building and skill development etc.

Millennium Telecom Ltd (MTL) is also moving ahead with a very high growth rate. In 2014-15, the company turned into profit making company by System Integration and other ICT related business at pan India level. Since 2014-15 the company has been making profit continuously. During the year under report i.e. 2017-18 the company has earned a revenue of ₹6,75,77,399/- as against ₹ 4,82,13,943/- last year. MTL earned a net profit of ₹ 52.58 lacs for the period ending 31st March 2018. MTL is in the process of winning over more orders in the upcoming years.

A large number of Govt. Institutions have awarded works on nomination basis, which have been successfully executed by MTL. Customer list include Air India, J & K Government, Central University-(Mahendragarh) Haryana, UP Building and Other Constructions Workers Welfare Board (BOCWWB), Lucknow etc. MTL is also expanding its portfolio of services for providing generalized as well customized solutions to suit Government and Semi Government institutions.

MTL has empanelled various Business Development Associates (BDAs) for 10 years through Open Tender. These BDAs are very competent and have good experience in various components of Govt of India schemes like Smart City, Digital India and Skill India. MTL has reopened the window for Empanelment of Business Development Associates in MTL through open ended EOI.

Many new projects are in pipeline like GIS survey of Electric poles in Uttarakhand, Digitalization of Birth / Death certificate North Delhi Municipal Corporation, Networking Project in UJVNL, video surveillance of temples in Gujarat.

MTL is also in the process of starting various services for which the card rates are being developed. Such services are smart solutions for smart city implementation, security as a services, video surveillance as a services, etc.

(III) 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.

The commercial operation of the Data Center commenced in 2009. The Ministry of External Affairs (MEA) has hosted Passport Seva Project at MSITSL Data Center through M/s TCS. The Directorate General of Employment & Training (DGE&T) in Ministry of Labour& Employment has hosted National Career Project through STPI at MSITSL Data Centre. IT/TES companies have also co-located servers and networking equipments.

The revenue of the company has been increasing year after year from the date of its commercialisation in 2009. In the current year, the revenue over the last year has registered an increase of 1.63% from ₹ 4,93,67,592/- to ₹5,01,74,822/-.

(iv)United Telecommunications Ltd. (UTL)

UTL is an associate of MTNL which consists of TCL,TCIL, NVPL (Nepal) & MTNL and was set up in October, 2001.The company provides Mobile/ILD/data services in Nepal. At present MTNL is holding 26.68% of Equity in UTL. The company has not been performing well for the last few years. It has huge losses. The Customer base has also reduced. It is not paying the statutory dues like Royalty, BTS site charges, and other dues to the Govt. of Nepal. The company does not have resources to clear outstandings. They have sought Equity participation by its JV partners but MTNL,TCIL & TCL all the Indian JV partners have decided not to contribute any amount towards its Share Capital or Loan. All the Indian JV Partners have decided to exit from the JV and have exercised their Right to exit, on January 30, 2018. Notice of exit (Sale of our share in JV company) has been given and it is required to be accepted within 3 months i.e on or before 30.04.2018. The UTL has not made any payment for its value of shares so far. UTL has already applied to the Nepal Govt. the requisite Govt. approvals for accepting the Exit option and remitting the value of shares to Indian JV Partners.

Latest Status on United Telecom Limited.

- UTL has not yet received the requisite Government approvals as per Nepalese Laws. MTNL has not received any payment against the sale of shares so far and MTNL's holding still continues at the existing shareholding pattern.
- UTL had submitted an application to Department of Industries (DOI), Government of Nepal (GoN) for approval of increase of authorized share capital upto NRs. 600 Crores
- After completion of all due process, DOI recommended case of UTL to Industry and Investment Promotion Board (IIPB), GoN for approval.
- However, approval for increase of share capital of UTL was not granted citing various issues such as pending royalty dues, pending interconnection dues with Nepal Telecom, not allowing UTL to enter into any sale purchase agreement for 3 years, etc.

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2017-18 (AS ON 31st MARCH, 2018)

Your Company has the following equipped and used capacity of Landline, GSM, Broadband etc. as on 31st March, 2018:-

S. No	Parameters	MTNL Delhi	MTNL Mumbai	Total
1	Number of Switches	355	264	**619**
2	Details of Capacity	-	-	**-**
2a	Fixed Phones	2416505	2586392	**5002897**
2b	GSM	2800000	2800000	**5600000**
2c	Broadband Capacity (in Ports)	788736	845908	**1634644**

S. No	Parameters	MTNL Delhi	MTNL Mumbai	Total
3	DELs (including Fixed-Line, GSM and Broadband)	4345019	3541900	**7886919**
3a	Fixed Line	1538377	1808191	**3346568**
3b	GSM	2279634	1277426	**3557060**
3c	Broadband Subscribers	527008	456283	**983291**
4	FTTH Subscribers	6685	5279	11964
5	ISDN	7608	11731	**19339**
6	DLC (No.)	425	116	**541**
7	Tax Capacity	150000	115200	265200
8	Tandem Capacity	402500	331240	**733740**
9	**Optical Fibre Cable**	**-**	**-**	**-**
9a	OFC in Route Kms	8655.998	8426.145	**17082.143**
9b	OFC in Fibre Kms	280585.378	272108.028	**552693.406**
10	Leased Circuits	12590	19534	**32124**

HUMAN RESOURCE DEVELOPMENT

Your Company attaches the highest priority to the quality of intellectual capital at its disposal and believes that knowledge and skills 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 customer base. The Company has been conducting various training and development activities which apart from reorienting the employees towards the greater organizational purpose are also focusing on eliminating any skill gap and technical obsolescence. The management's view on training is one of development of employee's overall personality and enabling them in becoming a vital productive resource.

TRAINING ACHIEVEMENTS

At present, MTNL has its two in house state of the art training centers, one located in New Delhi and another 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 and in service training to the executives and non executives of MTNL Delhi 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 industrial training for engineering students during summer and winter sessions since 2011. ITTM also conducts corporate training as per requirement of the organization in the field of telecom and management.

During the year 2017-18, some of the achievements of ITTM in the field of training are as given below.

- ITTM imparted training to 694 executives (2888 Man days) and 1170 non executives (7409 Man days) in different courses.
- ITTM imparted industrial training of various durations for 309 engineering students earned a revenue of ₹ 28,11,806/-
- Industrial visit of 278 students from different engineering colleges was conducted at ITTM.
- ITTM imparted corporate training to TCIL employees and earned a revenue of ₹ 53,475/-
- ITTM imparted pre exam training for 296 candidates for TTA LDCE (Limited Departmental Competitive Exam) and 33 for JAO (screening) LDCE. Also conducted pre exam training for JAO (Mains).
- ITTM conducted LDCE exam for the post of TTAs, JAO Mains and JAO Screening successfully.
- Total 169 trainees (both executives and non executives) were imparted door step training on FTTH in all the seven areas of MTNL Delhi.
- ITTM conducted visit of 670 students from different schools to their nearest MTNL exchanges under NSQF scheme.
- Special batch of industrial training exclusively for Diploma students started at ITTM with reduced charges.
- One day Workshop on GST was conducted at ITTM.
- ITTM has necessary infrastructure, technical and academic competence for providing training in the field of GSM, Broadband Technology, Switching, Transmission, External Plant, IT, Computer System, Management and wellness programs. To upgrade the training infrastructure, one eight port FTTH OLT has been installed in Transmission and FTTH Lab at ITTM.

(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. CETTM's achievements during financial year 2017-18 are as follows.

- CETTM successfully trained 3200 in-house personnel and 2833 external personnel with an achievement of 28085 Trainee days. Total of 245 Programs were conducted.
- 105 Students were trained through various certificate courses under Corporate Social Responsibility (CSR), while 34 students took part in one/two/six months Project Training works. Total 2151 number of Engineering College Students from 27 different Colleges took part in "Industrial Visit Programme" during 2017-18.
- 43 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 successfully completed 16 programs. Total 310 delegates from 61 different countries participated this FY.
- CETTM conducted 10 weeks Induction Training Programme for 14 newly recruited JTOs in MTNL.
- CETTM conducted Induction training of 148 candidates for TTA promotion of 8 weeks duration as well as Telecom Mechanic Induction Course for 10 candidates of 8 weeks duration.

- CETTM has conducted various short duration Technical as well as Management related courses for MTNL employees on need basis to improve MTNL services
- New short duration courses introduced on FTTH, Broadband, OF Splicing etc.
- 61 Students of Symbiosis Institute of Telecom Management (SITM) were trained under 4 days Industrial Visit Program.
- 44 Polytechnic faculties from Maharashtra State Board of Technical Education (MSBTE) were trained for 3 days training Course on Information Security & Next generation transport Technology.

Workshops & Events organized in FY 2017-18:

- CETTM organized workshop on 'Energy Conservation and Saving techniques' by Shri Jitendra Kumar Rathour, expert in Energy Conservation & Mgmt on 29 April 2017.
- CETTM celebrated 'World Telecommunications & Information Society Day' by conducting one day workshop on 'Big Data Technology' by Dr Vinay Kulkarni from IIT Mumbai on 17th May 2017.
- CETTM organized tree plantation drive to celebrate 'World Environment Day' on 5th June 2017.
- Yoga sessions & talk by Yoga Prabha Bharti seva Trust were conducted for MTNL employees to celebrate 'International Yoga Day' at CETTM on 21st June 2017.
- MTNL ,in association with Mumbai Police, Nutan Savera and Jalota Welfare, organized 'Seminar on self defense' for women employees of on 4th July 2017.
- A special Interactive session was addressed by Shri P K Purwar , CMD MTNL for newly inducted Assistant Managers on 9th August, 2017.
- Hindi Diwas was celebrated at CETTM in association with Business Standard (Hindi) by running quiz contests for CETTM employees.
- One day Seminar of "Latest Trends in Telecom Sector' was organized on 15th November, 2017. Shri P K Purwar, CMD MTNL, was chief guest at the event which was attended by all the senior officers of MTNL.
- One day workshop on Redesigning Life and Power of Vision , Commitment & Gratitude by Mrs Anjala Verma and Mr Lokesh Nathany on 24th March, 2018.

Business Development at CETTM in FY 2017-18:

- Total revenue achieved for the FY 2017-18 was ₹25.2 cr with an increase of 28.3% compared to ₹19.64 cr revenue in FY 2016-17.
- CETTM continues to be the first choice for conducting training courses, workshops, seminar etc. by our esteemed clients. Top clients include LIC, BPCL, NPCIL, Department of Sales Tax, KEC, IIT Mumbai, Grey Atom, Wipro, National School of Drama etc.
- CETTM has leased 100 hostel rooms to Maharashtra National Law University this financial year.

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.

(III) SKILL DEVELOPMENT

With a vision of a Skilled India, Ministry of Skill Development & Entrepreneurship (MSDE) aims to skill India on a large scale with speed and high standards. Pradhan Mantri Kaushal Vikas Yojana (PMKVY) is the flagship scheme that is driving towards greater realisation of this vision. MTNL have two training centre, one at Mumbai (CETTM) and another at Delhi (ITTM). Both of the training centers are engaged to meet the requirement of skill development and giving summer trainings to students of BE/ B.Tech. Short Term (One Day/ Two days) training programs for outsiders including students, housewives & others are also being conducted. To achieve the aim of skill development programme MTNL has signed MoU with Telecom Sector Skill Council & Global Institute of Skill Development. MTNL has also signed MoU with Gramin Vikas Trust (GVT) to run a training cum skilling center for promotion of entrepreneurship for the period of Five years. Under skill development programme MTNL has trained 3945 trainees in FY 2017-18. MTNL is also in process of conducting Recognition of Prior Learning certification for all eligible MTNL employees.

INDUSTRIAL RELATIONS

Industrial peace and Industrial harmony is based on healthy Employee-Employer Relations and like the previous years, Employees Relations remained Cordial throughout the year under report. 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.

JNC meeting was held on 28.03.2018 for addressing various demands of MTNL employees and officers, wherein neutralization of IDA and implementation of 3rd PRC with 15% fitment has been decided. The matter was submitted to the DOT after the approval of MTNL Board for consideration. Thereafter, the DOT has vide letter dated 22.06.2018 has accorded its approval for benefit of merger of IDA @73.8% for the purpose of fitment in respect of Board level below Board level Executives, Non- Executives Non- Unionized supervisors (all employees) of MTNL w.e.f. 01.01.2007 on notional basis and actual payment from 01.01.2018.

EMPLOYEES' WELFARE

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

Changeover of Contributory Group Health Insurance Scheme for retirees to CGHS- After pursuance of MTNL with DoT, Ministry of Health issued instructions to CGHS for enrolment of MTNL retirees (drawing Govt. Pension) in the CGHS. To facilitate the same an incentive is being provided to the concerned retirees. As on date approximately 6030 retirees in MTNL have benefited from this scheme.

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 to SC/ ST/ OBC communities as well as Physically Challenged candidates

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

The Company has constituted an internal Committee to look into the complaints 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.

MANPOWER STATUS

As on 31st March, 2018 your company had a working strength of employees as per details given below:-

Group	Total Working	SC	ST
A	850	152	53
B	2711	400	71
C	14839	2336	256
D	6783	1676	518
Total	**25183**	**4564**	**898**
TSM	8	-	-
Grand Total	**25191**	**4564**	**898**

New Recruitment

The Board of Directors of MTNL has approved to induct 100 officers at E-2 level in the stream of Telecom, Finance, Electrical, Civil, HR and Sales & Mktg.

39 officers in the stream of JTO (Electrical/Civil/Telecom) at E-2 level have joined MTNL. The recruitment of non-technical posts viz AM (Finance/Mktg/HR) as detailed below is under process.

(i) Finance- 22

(ii) HR- 06

(iii) Sales & Marketing – 15

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has been suffering losses for the last few years and hence no CSR funds has been allocated/ spent for CSR activities during the Financial Year. The provisions of Section 135 of the Companies Act, 2013 are not applicable. However, the company has constituted a CSR Committee and also formed a CSR Policy in compliance with the provisions of The Companies Act, 2013 and DPE Guidelines on the subject. MTNL is undertaking non funding CSR activities like sending SMS to the public for spreading awareness on Swachh Bharat, Pulse Polio, other moves of the Government, etc. For details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of this Report. The CSR 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. At present, Shri Deepak Kashyap, CVO, BSNL is in additional charge of CVO, MTNL. The CVO is responsible for complete vigilance administration in MTNL.

During the FY 2017-18, emphasis was laid on preventive vigilance and to enhance the awareness of transparency and accountability in working by carrying out various field inspections. Advices for systemic improvement were issued by Vigilance Unit for reconciliation of Sanchaar Haat products, store verification, proper maintenance of broadband faults, BTS sites etc. CTE type inspections were also carried out as per CVC guidelines.

Further, training programme/ 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 30/10/2017 to 04/11/2017. During this week, various activities like integrity pledge taking, release of information booklet on the Vigilance & Disciplinary matters with a focus on "My Vision – Corruption Free India", Preventive Vigilance and other general conduct (Do's & Dont's) among the employees of MTNL was distributed. Also various programmes such as seminars, workshops, debates as well as Quiz competitions were also organized during Vigilance Awareness Week.

MTNL Board was regularly apprised of the progress of Disciplinary cases for review through quarterly reports. Review of vigilance work/matters by CMD with CVO was also submitted quarterly. CVO reviews the status of investigations / Disciplinary cases in meetings held with GM (Vigilance) Mumbai/Delhi.

Central Vigilance Commission (CVC) had decided to create an integrity index ,through IIM Ahmedabad, for public sector organizations which would be based on bench marking of governance processes by internal and external stakeholders . MTNL was one of 25 PSUs chosen to carry out the exercise of computing the Integrity index. Timely inputs to questionnaire for the exercise were furnished to IIM Ahmedabad and CVC in coordination with units concerned in MTNL. The exercise has since been completed by MTNL vigilance deptt.

INTEGRITY PACT PROGRAME 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 THESE 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 these financial statements relate and the date of the report.

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

The provision 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 ₹2.80 Crore and outflow was ₹ 3.35 Crore.

ENTERPRISE RISK MANAGEMENT

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 also 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 part of this Report.

MEETINGS OF THE BOARD OF DIRECTORS

During the year under report, the Board of Directors of your Company met Six times i.e. during the Financial Year 2017-18, 6 (Six) 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 OF INDEPENDENCE BY INDEPENDENT DIRECTORS FOR THE FINANCIAL YEAR 2017-18

Pursuant to the provisions Section 149(7) of The Companies Act, 2013, the Company has received necessary declaration from all the Independent Directors i.e. Shri Rakesh Nangia, Shri Ashok Mittal, Shri Chinmay Basu, Shri K.B. Gokulchandran, Smt. G. Padmaja Reddy and Smt. Suneeta Trivedi 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 has 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 Party Transactions were in ordinary course of Business and were negotiated at an Arm's Length basis and they were intended to further the company's interest. Accordingly, the disclosure of Related Party Transactions as required under Section 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) Regulation, 2015 which came into effect from 01.12.2015. Your Company has also complied 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 in this regard with the NSE, BSE & OTCIQ on quarterly basis. A Report on Corporate Governance has been appended under the separate section titled Corporate Governance Report.

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

A certificate from M/s V.K. Sharma & Co. Practicing 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.

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

The Ministry of Corporate Affairs, vide its Circular no. 17/2011 dated 21st April 2011 followed by Circular no.18/2011 dated 29th April 2011 has taken "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies through electronic mode and introduced e-mail address as one of the modes of sending communication to the members. Also as per provision of Section 101 of the Companies Act, 2013, and rules made there under notice of meeting may be sent by electronic mode.

In accordance with the above circulars and to ensure compliance of Green Initiative, your Company has sent various documents including Notice of the 32nd AGM, Audited Financial Statements, Directors' Report, Auditors' Report for the F.Y. 2017-18 etc. to its shareholders in electronic form, at the e-mail addresses provided / registered by members and made available to us by the Depositories (NSDL/CDSL). The members are advised to update by registering changes, if any, in their e-mail address, with the concerned Depository Participant.

Your Company shall also display full text of Notice of 32nd AGM & Annual Report 2017-18 at its website www.mtnl.net.in and physical copies of such documents will be made available at the registered office of the Company for inspection by the members during office hours on all working days.

Your Company looks forward towards active participation of Shareholders in this "Green Initiative" and request all Shareholders, who have not so far supplied their e-mail addresses, to give the same at the earliest.

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 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

The Company had maintained, in all respects, adequate internal financial controls over financial reporting and such internal control over financial reporting were operating effectively during the financial year 2017-18, based on the internal control over financial reporting criteria established by the Company considering the essential components on 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

Your Company has not invited/ 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

The provisions of Section 197(12) of Companies Act, 2013 read with Rule 5 of Companies (Appointment & Remuneration of Managerial Personnel) Rules, 2014 are not applicable to your Company as being a Govt. Company.

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR 2017-18

M/s Hemant Kumar Singh & Associates, Company Secretaries, have conducted the Secretarial Audit of your company for the Financial Year 2017-18 under Section 204 of the Companies Act, 2013.The said Secretarial Audit Report and the replies to the observations of the Secretarial Auditors are given in as annexure.

AUDITORS QUALIFICATIONS AND MANAGEMENT REPLY THERETO

The replies to the observation of the Statutory Auditors for the Financial Year 2017-18 are given as annexure. The Comments of the Comptroller and Auditor General of India (CAG) on the Financial Statements and the replies of the Management thereon are given in the annexure to the Directors' Report.

DIRECTORS & KEY MANAGERIAL PERSONNEL

The Board of Directors of your company has eleven (11) members, three Functional Directors (including CMD), two Government Nominee Directors and six Independent Directors. List of present Directors of MTNL as on 19.07.2018 is given in the Corporate Governance Report.

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

1. Shri Chinmay Basu has been appointed as Independent Director w.e.f. 26.10.2017.
2. Shri K.B. Gokulachandran has been appointed as Independent Director w.e.f. 26.10.2017.
3. Smt. G. Padmaja Reddy has been appointed as Independent Director w.e.f. 26.10.2017.
4. Smt. Suneeta Trivedi has been appointed as Independent Director w.e.f. 26.10.2017.

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

i) Shri P.K. Purwar, CMD & Director (Fin)

ii) Shri Sunil Kumar, Director (HR&EB)

iii) Shri Sanjeev Kumar, Director (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. Kumar Vijay Gupta & 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 Financial Year 2017-18 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 cost 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 Financial Year 2016-17 have been submitted to the Central Government in the Form I-XBRL format on MCA portal on 24/10/2017.

(3) M/s Hemant Kumar Singh & 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 2017-18.

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 dedicated services rendered by every employee of the 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.

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

Sd/-
(Shri P.K. PURWAR)
CMD & DIRECTOR (FINANCE)

PLACE: NEW DELHI
DATE: 14th August, 2018

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31st MARCH 2018

[Pursuant to Section 204(1) of the Companies Act, 2013 and rule 9 of the Companies (Appointment and Remuneration of Managerial 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 Company's 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 2018** 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, minutes book, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March, 2018** according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Rules made thereunder;

(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 thereunder;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under The Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-

   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, 2015;

   c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 **-(Not applicable to the Company during the Audit Period);**

   d. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 – **(Not applicable to the Company during the Audit Period);**

e. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

f. 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 with respect to issue of securities;

g. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 – **(Not applicable to the Company during the Audit Period);**

h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998- **(Not applicable to the Company during the Audit Period) and**

(vi) The other laws, as informed and certified by the management of the Company which are specifically applicable to the Company based on their sectors/ Businesses are:

a) The Telecom Regulatory Authority of India Act,1997 and Rules and Regulations made thereunder

b) The Indian Telegraph Act, 1885

c) The Indian Wireless Telegraphy Act, 1933

We have also examined compliance with the applicable Standards/Regulations of the following:

(a) Secretarial Standards issued by The Institute of Company Secretaries of India;

(b) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. **The Company has applied for delisting from the Calcutta Stock Exchange Limited and Delhi Stock Exchange Limited on 16th October, 2012. However the confirmation is still awaited. The shares of the Company is also listed on OTCQX, New York.**

During the period under review, as per our audit of records of the Company and as per the explanations and clarifications given to us, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards etc. as mentioned above subject to our observation as under:

(a) The company did not have the required percentage of Independent Directors on its Board upto 26th October, 2017. However, the Company has appointed required number of the Independent Directors on the Board of the company on 26.10.2017.

(b) During the period under review, the Company has received notice from Serious Fraud Investigation Office (SFIO) and Registrar of Companies regarding reporting of fraud under section 143(12)of Companies Act, 2013. However the Registrar of Companies has closed the complaint on 30th October, 2017.

(c) The Company has appointed Internal Auditor as per the provisions of Section 138 of The Companies Act, 2013w.e.f 01.01.2018.

(d) **The National Stock Exchange of India Limited** has issued Notices under Regulation 27(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 that the Composition of Board and Board level Committees for the quarter ended 30.06.2017 and 30.09.2017 were not as per the regulation. The reply/explanation has been given by the Company and the said authorities have not sent any correspondence thereafter or initiated any action against the Company.

We further report that

As informed by the Company and as per inspection of records, the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors w.e.f. 26th October, 2017. 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.

Adequate notice is given to all directors to schedule the Board Meetings in advance. Agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarification on the agenda items before the Meeting for meaningful participation at the Meeting.

The decisions of the Board were carried out through unanimous votes, no dissenting views of any Director was recorded in the minutes maintained by the Company.

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 during the audit period there has not been any such activity having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, etc.

For Hemant Singh & Associates
Company Secretaries

Sd/-
(Hemant Kumar Singh)
(Partner)
Membership No. FCS 6033
C.P. No. 6370

Place: New Delhi
Date: 07th August, 2018

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 Members of

Mahanagar Telephone Nigam Limited

1. We have examined the compliance of the conditions of corporate governance by Mahanagar Telephone Nigam Limited ('Company') for the year ended 31st March, 2018, as stipulated in the relevant clauses of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') and Schedule V to the Listing Regulations and also DPE Guidelines on Corporate Governance for CPSEs, 2010 as amended from time to time.
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 regulations except that:
   (i) The composition of the Board of Directors suffered from the inadequacy of independent directors during part of the year.
4. We further state that the compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management conducted the affairs of the Company.

For V. K. SHARMA & CO.

Company Secretaries

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

Place: NOIDA
Date: 19th July, 2018

REPLY OF MTNL TO QUALIFICATIONS IN SECRETARIAL AUDIT REPORT AND COMPLIANCE CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE (F.Y 2017-18).

The composition of the Board of Directors suffered from the inadequacy of independent directors during part of the year.

Management's Reply: All appointments including Independent Directors on the Board are done by the Administrative Ministry, Government of India. At present MTNL has six Independent Directors, out of which four Independent Directors were appointed on 26.10.2017. Hence, the Composition of the Board of MTNL is in accordance with SEBI (LODR) Regulation w.e.f. 26.10.2017.

ANNEXURE IV TO DIRECTORS' REPORT

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31st March, 2018

[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, Email Id: beetalrta@gmail.com, beetal@beetalfinancial.com Website: www.beetalfinancial.com.

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	APPLIC ABLE SECT ION
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) Room No. 4208, 4th Floor Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003.	U64200DL2000GOI333459	Wholly Owned Indian Subsidiary	100%	2 (87)
3	MTNL STPI IT Services Ltd. (MSITS), Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003	U72901DL2006PLC148310	Joint Venture	50%	2(6)
4	United Telecommunications Ltd. (UTL) Triveni Complex, Putali Sadak, Kathmandu.	N.A.	Associate	26.68%	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. 01/04/2017				No. Of Shares held at the end of the Year i.e. 31/03/2018				% Change during the year
	Demat	Physi-cal	Total	% of Total Shares	Demat	Physi cal	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 shareholding of Promoter (A)=(A)(1)+(A)(2)	**354378740**	**0**	**354378740**	**56.25**	**354378740**	**0**	**354378740**	**56.25**	**0**
B. Public shareholding									
1. **Institutions**									
a) Mutual Funds	100	4400	4500	0	100	4400	4500	0	0
b) Banks/FI/ Insurance Companies	132245405	2200	132247605	21.36	127497698	2200	127499898	20.25	-1.11
c) Central Govt./State Govt.	2500	0	2500	0	2500	0	2500	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Foreign Fin Inst./Banks/ Foreign Portfolio Investors	5125017	600	5125617	0.89	2169654	600	2170254	0.34	-0.55
g) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0

h) Others (specify	0	0	0	0.00	0	0	0	0.00	0.00
(i) Stressed Asset	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):-	**137373022**	**7200**	**137380222**	**22.25**	**129669952**	**7200**	**129677152**	**20.59**	**-1.66**
2. **Non Instittions**									
a) Bodies Corp. (Indian & Overseas)	27043957	6001	27049958	3.65	28851594	6001	28857595	4.59	0.94
b) Individuals									0
(i) Individual Shareholders holding nominal share capital upto ₹ 2 lakh	63085745	72021	63157766	10.12	67333011	72994	67406005	10.7	0.58
ii) Individual share-holders holding nominal share capital in excess of ₹ 2 lakh	32198608	0	32198608	5.18	33036273	0	33036273	5.25	0.07
c) Others (Specify)									0
Trusts	280680	0	280680	0.04	255932	0	255932	0.05	0.01
Foreign Nationals	0	0	0	0	0	0	0	0	0
NRI & Foreign Corporate Bodies	1815214	0	1815214	0.29	1499070	0	1499070	0.24	-0.05
c-ii) Clearing Members	711063	0	711063	0.11	1072154	0	1072154	0.12	0.01
HUF	5464133	0	5464133	0.91	6635957	0	6635957	1.06	0.15
Sub-total (B)(2):-	**130599400**	**78022**	**130677422**	**20.3**	**138683991**	**78995**	**138762986**	**22.01**	**1.71**
Total Public Shareholding (B)=(B)(1)+(B)(2)	**267972422**	**85222**	**268057644**	**42.55**	**268353943**	**86195**	**268440138**	**42.6**	**0.05**
C. Shares held by Custodian for GDR&ADRs	**7563616**	**0**	**7563616**	**1.2**	**7181122**	**0**	**7181122**	**1.15**	**-0.05**

Grand Total (A+B+C)	629914778	85222	630000000	100	629913805	86195	630000000	100	0

(ii) Shareholding of Promoters during F.Y. 2017-18

SL NO.	Shareholder's Name	Shareholding at the beginning of the year as on 01.04.2017			Shareholding at the end of the year as on 31.03.2018			
		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	% change in shareholding during the year
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 during the F.Y. 2017-18 (please specify, if there is no change)

Sl. NO.		Shareholding at the Beginning of the year as on 01.04.2017		Cumulative Shareholding during the year (2017-18)	
		No. of Shares	**% of total shares of the company**	**No. of shares**	**% of total shares of the company**
	At the beginning of the year (as on 01.04.2017)	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 (as on 31.03.2018)	354378740	56.25	354378740	56.25

#There is no change in the total Shareholding of Promoters i.e. President of India between 01.04.2017 and

31.03.2018 (during F.Y. 2017-18).

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on 31.03.2018:

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
1	LIFE INSURANCE CORPORATION OF INDIA	118515213	18.8119	31-Mar-17		Nil Movement During The Year	118515213	18.812
		118515213	18.8119	31-Mar-17			118515213	18.812
2	SHAREKHAN FINANCIAL SERVICES PVT LTD	7299440	1.1586	31-Mar-17				0
			0	07-Apr-17	-1509	Sell	7297931	1.1584
			0	14-Apr-17	270010	Purchase	7567941	1.2013
			0	21-Apr-17	-389489	Sell	7178452	1.1394
			0	28-Apr-17	-15	Sell	7178437	1.1394
			0	05-May-17	-1000	Sell	7177437	1.1393
			0	12-May-17	1550025	Purchase	8727462	1.3853
			0	26-May-17	450700	Purchase	9178162	1.4569
			0	02-Jun-17	25	Purchase	9178187	1.4569
			0	09-Jun-17	925	Purchase	9179112	1.457
			0	16-Jun-17	-700960	Sell	8478152	1.3457
			0	30-Jun-17	760090	Purchase	9238242	1.4664
			0	07-Jul-17	648642	Purchase	9886884	1.5693
			0	14-Jul-17	-2656142	Sell	7230742	1.1477
			0	21-Jul-17	-500	Sell	7230242	1.1477
			0	28-Jul-17	-3937163	Sell	3293079	0.5227
			0	04-Aug-17	109514	Purchase	3402593	0.5401
			0	11-Aug-17	2000575	Purchase	5403168	0.8576
			0	18-Aug-17	191463	Purchase	5594631	0.888

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
			0	25-Aug-17	-425	Sell	5594206	0.888
			0	01-Sep-17	150	Purchase	5594356	0.888
			0	08-Sep-17	53660	Purchase	5648016	0.8965
			0	15-Sep-17	-3574090	Sell	2073926	0.3292
			0	22-Sep-17	183349	Purchase	2257275	0.3583
			0	30-Sep-17	50	Purchase	2257325	0.3583
			0	06-Oct-17	1911395	Purchase	4168720	0.6617
			0	13-Oct-17	-25	Sell	4168695	0.6617
			0	20-Oct-17	1265	Purchase	4169960	0.6619
			0	27-Oct-17	1581367	Purchase	5751327	0.9129
			0	03-Nov-17	82913	Purchase	5834240	0.9261
			0	10-Nov-17	2599665	Purchase	8433905	1.3387
			0	17-Nov-17	100	Purchase	8434005	1.3387
			0	24-Nov-17	50	Purchase	8434055	1.3387
			0	01-Dec-17	154750	Purchase	8588805	1.3633
			0	08-Dec-17	-983300	Sell	7605505	1.2072
			0	15-Dec-17	-3170	Sell	7602335	1.2067
			0	22-Dec-17	-22525	Sell	7579810	1.2031
			0	29-Dec-17	-7100115	Sell	479695	0.0761
			0	05-Jan-18	64665	Purchase	544360	0.0864
			0	12-Jan-18	100	Purchase	544460	0.0864
			0	19-Jan-18	4112240	Purchase	4656700	0.7392
			0	26-Jan-18	-42573	Sell	4614127	0.7324
			0	02-Feb-18	2000350	Purchase	6614477	1.0499
			0	09-Feb-18	2968312	Purchase	9582789	1.5211
			0	16-Feb-18	-900	Sell	9581889	1.5209
			0	23-Feb-18	1388	Purchase	9583277	1.5212
			0	09-Mar-18	1050	Purchase	9584327	1.5213
			0	16-Mar-18	425	Purchase	9584752	1.5214

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
			0	23-Mar-18	-387	Sell	9584365	1.5213
			0	31-Mar-18	-342	Sell	9584023	1.5213
		9584023	1.5213	31-Mar-18			9584023	1.5213
3	THE BANK OF NEW YORK MELLON	7563616	1.2006	31-Mar-17				0
			0	07-Apr-17	-6248	Sell	7557368	1.1996
			0	14-Apr-17	-11954	Sell	7545414	1.1977
			0	21-Apr-17	-35000	Sell	7510414	1.1921
			0	28-Apr-17	-20030	Sell	7490384	1.1889
			0	19-May-17	-25620	Sell	7464764	1.1849
			0	26-May-17	-64000	Sell	7400764	1.1747
			0	11-Aug-17	-70600	Sell	7330164	1.1635
			0	15-Dec-17	-60092	Sell	7270072	1.154
			0	29-Dec-17	-11600	Sell	7258472	1.1521
			0	05-Jan-18	-30000	Sell	7228472	1.1474
			0	12-Jan-18	-43106	Sell	7185366	1.1405
			0	19-Jan-18	-4050	Sell	7181316	1.1399
			0	16-Mar-18	-194	Sell	7181122	1.1399
		7181122	1.1399	31-Mar-18			7181122	1.1399
4	PRAKASH BABALAL SHAH	2149900	0.3413	31-Mar-17				0
		2891603	0	12-May-17	-1550000	Sell	599900	0.0952
			0	26-May-17	-100000	Sell	499900	0.0793
			0	16-Jun-17	-499900	Sell	0	0
			0	14-Jul-17	948500	Purchase	948500	0.1506
			0	28-Jul-17	1199900	Purchase	2148400	0.341

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
			0	04-Aug-17	1500	Purchase	2149900	0.3413
			0	17-Nov-17	-2100000	Sell	49900	0.0079
			0	05-Jan-18	2100000	Purchase	2149900	0.3413
		2149900	0.3413	31-Mar-18			2149900	0.3413
5	GENERAL INSURANCE CORPORATION OF INDIA	2891603	0.459	31-Mar-17				0
			0	23-Feb-18	-291603	Sell	2600000	0.4127
			0	02-Mar-18	-600000	Sell	2000000	0.3175
		2000000	0.3175	31-Mar-18			2000000	0.3175
6	THE NEW INDIA ASSURANCE COMPANY LIMITED	1994544	0.3166	31-Mar-17		Nil Movement During The Year	1994544	0.3166
		1994544	0.3166	31-Mar-18			1994544	0.3166
7	KAVITA R. POPLEY	1951940	0.3098	31-Mar-17				0
			0	07-Apr-17	-10000	Sell	1941940	0.3082
			0	21-Apr-17	-15000	Sell	1926940	0.3059
			0	10-Nov-17	-125000	Sell	1801940	0.286
			0	05-Jan-18	-30000	Sell	1771940	0.2813
		1771940	0.2813	31-Mar-18			1771940	0.2813
8	IL AND FS SECURITIES SERVICES LIMITED	759888	0.1206	31-Mar-17				0
			0	07-Apr-17	12920	Purchase	772808	0.1227
			0	14-Apr-17	215976	Purchase	988784	0.1569
			0	21-Apr-17	-95464	Sell	893320	0.1418
			0	28-Apr-17	66016	Purchase	959336	0.1523
			0	05-May-17	17497	Purchase	976833	0.1551

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
			0	12-May-17	89330	Purchase	1066163	0.1692
			0	19-May-17	33127	Purchase	1099290	0.1745
			0	26-May-17	143686	Purchase	1242976	0.1973
			0	02-Jun-17	84572	Purchase	1327548	0.2107
			0	09-Jun-17	-119645	Sell	1207903	0.1917
			0	16-Jun-17	-81125	Sell	1126778	0.1789
			0	23-Jun-17	216516	Purchase	1343294	0.2132
			0	30-Jun-17	-266171	Sell	1077123	0.171
			0	07-Jul-17	45982	Purchase	1123105	0.1783
			0	14-Jul-17	-77000	Sell	1046105	0.166
			0	21-Jul-17	-5168	Sell	1040937	0.1652
			0	28-Jul-17	-6760	Sell	1034177	0.1642
			0	04-Aug-17	-46485	Sell	987692	0.1568
			0	11-Aug-17	31597	Purchase	1019289	0.1618
			0	18-Aug-17	4363	Purchase	1023652	0.1625
			0	25-Aug-17	-1700	Sell	1021952	0.1622
			0	01-Sep-17	156479	Purchase	1178431	0.1871
			0	08-Sep-17	-65534	Sell	1112897	0.1767
			0	15-Sep-17	-11329	Sell	1101568	0.1749
			0	22-Sep-17	-24577	Sell	1076991	0.171
			0	30-Sep-17	-92672	Sell	984319	0.1562
			0	06-Oct-17	-194809	Sell	789510	0.1253
			0	13-Oct-17	137141	Purchase	926651	0.1471
			0	20-Oct-17	-5878	Sell	920773	0.1462
			0	27-Oct-17	-72021	Sell	848752	0.1347

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
			0	03-Nov-17	-21488	Sell	827264	0.1313
			0	10-Nov-17	-36139	Sell	791125	0.1256
			0	17-Nov-17	203939	Purchase	995064	0.1579
			0	24-Nov-17	25229	Purchase	1020293	0.162
			0	01-Dec-17	-90582	Sell	929711	0.1476
			0	08-Dec-17	-25980	Sell	903731	0.1434
			0	15-Dec-17	14167	Purchase	917898	0.1457
			0	22-Dec-17	-102276	Sell	815622	0.1295
			0	29-Dec-17	315250	Purchase	1130872	0.1795
			0	05-Jan-18	-357131	Sell	773741	0.1228
			0	12-Jan-18	781961	Purchase	1555702	0.2469
			0	19-Jan-18	28489	Purchase	1584191	0.2515
			0	26-Jan-18	99744	Purchase	1683935	0.2673
			0	02-Feb-18	-129726	Sell	1554209	0.2467
			0	09-Feb-18	10454	Purchase	1564663	0.2484
			0	16-Feb-18	-11205	Sell	1553458	0.2466
			0	23-Feb-18	128780	Purchase	1682238	0.267
			0	02-Mar-18	29509	Purchase	1711747	0.2717
			0	09-Mar-18	-38186	Sell	1673561	0.2656
			0	16-Mar-18	88189	Purchase	1761750	0.2796
			0	23-Mar-18	-64151	Sell	1697599	0.2695
			0	31-Mar-18	-70654	Sell	1626945	0.2582
		1626945	0.2582	31-Mar-18			1626945	0.2582

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2017					Cumulative Shareholding during the year (2017-18)	
	Name	No. of Shares at the beginning of the year (01.04.17)/ end of the year (31.03.18)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
9	ELARA INDIA OPPORTUNITIES FUND LIMITED	1618500	0.2569	31-Mar-17		Nil Movement During The Year	1618500	0.2569
		1618500	0.2569	31-Mar-18			1618500	0.2569
10	PUNJAB NATIONAL BANK	1550000	0.246	31-Mar-17		Nil Movement During The Year	1550000	0.246
		1550000	0.246	31-Mar-18			1550000	0.246

(v) Shareholding of Directors and Key Managerial Personnel as on 31st March 2018:

Sl No.		Shareholding at the beginning of the year as on 01.04.2017		Cumulative Shareholding during the year (2017-18)	
	For Each of the Directors and KMP	No. of shares	% of total shares of the company	No. of shares	% of total shares of the company
1.	Shri P.K. Purwar CMD & Director(Fin)	NIL		NIL	
2.	Shri Sunil Kumar Director (HR&EB)	NIL		NIL	
3.	Shri Sanjeev Kumar, Director (Tech)	NIL		NIL	
4.	Shri Amit Yadav, Govt. Director	NIL		NIL	
5.	Smt. Tiakala Lynda Yaden, Govt. Director	NIL		NIL	
6.	Shri Rakesh Nangia, Independent Director	NIL		NIL	
7.	Shri Ashok Mittal, Independent Director	NIL		NIL	
8.	Shri Chinmay Basu, Independent Director	NIL		NIL	
9.	Shri K.B. Gokulchandran, Independent Director	NIL		NIL	
10.	Smt. G. Padmaja Reddy, Independent Director	NIL		NIL	
11.	Smt. Suneeta Trivedi, Independent Director	NIL		NIL	
12.	Shri S. R. Sayal, Company Secretary.	NIL		NIL	

V. INDEBTNESS

(a) Indebtedness of the Company including interest outstanding/accrued but not due for payment during F.Y. 2017-18 as per Ind AS

(in crores)

	Secured Loans excluding deposits (LTL)	Unsecured Loans BOND+ STL+OD	Deposits	Total Indebtness
Indebtedness at the beginning of the financial as on 01.04.2017				
i) Principal Amount	**4,267.98**	**10,888.00**	__	**15,155.98**
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	**3.70**	**66.38**	__	**70.08**
Total (i+ii+iii)	**4,271.68**	**10,954.38**	**--**	**15,226.06**
Change in Indebtedness during the financial year 2017-18				
• Addition	**3344.00**	**--**	**--**	**3,344.00**
• Reduction	**--**	**(1,533.85)**		**(1,533.85)**
Net Change	**3,344.00**	**(1,533.85)**	--	**1,810.15**
Indebtedness at the end of the financial year as on 31.03.2018				
i) Principal Amount	7,614.04	9,360.20	--	16,974.24
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	1.64	60.33	--	61.97
Total (i+ii+iii)	**7,615.68**	**9,420.53**	__	**17,036.21**

Note: Government of India approved the financial support to the Company in the year 2014 and on surrender of Broadband Wireless Access (BWA) Spectrum by MTNL, upfront charges paid by the Company in the year 2011 for such spectrum amounting to ₹ 4533.97 crores were agreed to be funded by way of issuance of debentures by the Company on behalf of Government of India (GOI) and for which GOI provided sovereign guarantee with attendant condition for repayment of principal on maturity as well as the interest payments through DOT. Accordingly, the Company does not have any liability toward repayment of principal and interest on the bonds issued and has been offset against the amount recoverable from DOT of equivalent amount.

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole – time Directors and/or Manager during the F.Y. 2017-18:

Sl No.	Particulars of Remuneration	NAME OF MD/WTD/Manager			Total Amount in Rupees
		Shri P.K. Purwar, CMD & Director (Fin)	Shri Sunil Kumar, Director (HR & EB)	Shri Sanjeev Kumar, Director (Tech)	
1.	Gross salary (a) Salary as per provisions contained in section 17(1) of the Income tax Act, 1961 (b) Value of perquisites u/s 17(2) Income –tax Act, 1961 (c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	23,35,746 6,19,918 -	22,24,848 6,07,773 -	20,35,810 6,24,809 -	65,96,404 18,52,500
2.	Stock Option	NIL	NIL	NIL	NIL
3.	Sweat Equity	NIL	NIL	NIL	NIL
4.	Commission - As % of profit - Others, specify….	NIL	NIL	NIL	NIL
5.	Others , please specify	NIL	NIL	NIL	NIL
	Total (A)	**2955664**	**2832621**	**2660619**	**84,48,904**
	Ceiling as per the Act	As per Section 198 of the Companies Act, 2013			

B. REMUNERATION TO OTHER DIRECTORS DURING THE F.Y. 2017-18

Sl no.	Particulars of Remuneration	Name of Directors						Total Amount in Rupees
	Independent Directors	**Shri Rakesh Nangia**	**Shri Ashok Mittal**	**Shri Chinmay Basu**	**Shri K.B. Gokulchan-dran**	**Smt. G Padmaja Reddy**	**Smt. Suneeta Trivedi**	
	• Fee for attending Board and its committee meetings • Commission • Others, please specify	80,000	80,000	30,000	20,000	40,000	30,000	2,80,000
	Total (1)	**80,000**	**80,000**	**30,000**	**20,000**	**40,000**	**30,000**	**2,80,000**
	Other Non-Executive Directors							
	• Fee for attending board committee meetings • Commission • Others, please specify	NIL	NIL	NIL	NIL	NIL	NIL	NIL
	Total (2)	__	_	__	_	_	_	__
	Total (b)=(1+2)	**80,000**	**80,000**	**30,000**	**20,000**	**40,000**	**30,000**	**2,80,000**

	Total Managerial Remuneration (A+B)							**87,28,904**
	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 DURING THE F.Y. 2017-18

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 (b) Value of perquisites u/s 17(2) Income-tax Act, 1961	- -	16,58,964 17,113	16,58,964 17,113
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission - As % of profit - Others, specify	-	-	-
5.	Others, please specify	-	-	-
	Total	-	**16,76,077**	**16,76,077**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES DURING THE F.Y. 2017-18: --- 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 FOR THE FINANCIAL YEAR 2017-18

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 and SEBI (Listing Obligations & Disclosure Requirements) Regulation, 2015 [SEBI (LODR), 2015] applicable for all listed entities including MTNL provide a robust framework for Corporate Governance. MTNL is complying with relevant provisions of the Companies Act, 2013, Rules made there under and SEBI (LODR) Regulation, 2015 for good Corporate Governance.

As MTNL being a PSU, 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 very balanced and diversified Board of Directors with an optimum mix of Executive, Non-Executive and Independent Directors. As on March 31, 2018, the Company had Eleven Directors including three Women Directors. Out of the Eleven Directors, Eight (i.e. 72.73%) are Non-executive Directors and Three (i.e. 27.27%) are Executive Directors. The composition of the Board is in Conformity with Regulations 17 of SEBI (LODR) Regulation, 2015 read with Section 149 of the Act and the DPE Guidelines on Corporate Governance. Four Independent Directors were appointed on 26.10.2017. After the above appointment the total number of Independent Director is Six which is 50% of the total Number of Directors on the Board of MTNL.

Independent Directors are appointed by the Govt. of India and hold the position of Non-executive Directors as defined under Regulation 16(1) (b) of the SEBI (LODR) Regulation, 2015 read with Section 149(6) of the Act. The maximum tenure of Independent Directors is three years. All the Independent Directors have confirmed that they meet the criteria of Independence as provided in Regulation 16(1) (b) of the SEBI (LODR) Regulation, 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 or reimbursement of expenses etc. As required under Regulation 46(2) (b) of The Listing Regulations, the Company has given Formal Letter of Appointment to Independent Directors. The terms and conditions of their appointment are posted on the Companies website and can be accessed at http://mtnl.net.in/directors.html .

The Board functions as a Full Board. The Board has constituted five mandatory Board level committees under the Companies Act, 2013, SEBI (LODR) Regulation, 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. The meetings of these committees are held whenever required. The details are given elsewhere in this report.

(I) THE LIST OF PRESENT DIRECTORS (AS ON 21.08.2018) 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. –** Director **2. Mahanagar Telephone Nigam (Mauritius) Ltd. -** Chairman & Director **3. United Telecom Ltd. -** Director	Chairman- CSR Committee & Member–Enterprise Risk Management Committee.
Shri Sunil Kumar	Director (HR&EB)	**1. MTNL STPI IT Services Ltd. –** Director **2. Millenium Telecom Ltd. -** Chairman & Director	Chairman- Enterprise Risk Management Committee & Member- CSR Committee
Shri Sanjeev Kumar	Director (Tech)	**1. MTNL STPI IT Services Ltd. –** Director	Member- CSR Committee & Enterprise Risk Management Committee.
Shri Amit Yadav	Government Nominee Director	**1. Bharat Sanchar Nigam Ltd. –** Director **2. Bharat Broadband Network Ltd. -** Director	1.**Mahanagar Telephone Nigam Ltd.** Member- Nomination and Remuneration Committee & CSR Committee. 2. **Bharat Broadband Network Ltd.** Chairman- Audit Committee, Nomination and Remuneration Committee & CSR Committee.
Smt Tiakala Lynda Yaden	Government Nominee Director	**NIL**	**NIL**
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 & Co.- Chartered Accountants –** Managing Partner **6. Nangia Insolvency Professionals LLP** – Designated Partner.	**1.Mahanagar Telephone Nigam Ltd.** Chairman-Audit Committee. Member-Enterprise Risk Management Committee & Stakeholders Relationship Committee. **2.Cosmo Ferrites Ltd.** Member- Audit Committee, Risk & Operational Management Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee & Share Allotment Committee.

NAME	CATEGORY/ DESIGNATION	DIRECTORSHIP IN OTHER COMPANIES	MEMBERSHIP IN OTHER COMMITTEE
Shri Ashok Mittal	Independent Director	**1.Nischay Educorp Pvt. Ltd** – Director **2. Nischay Advisory LLP –** Partner **3. Nischay Housing Pvt. Ltd –** Director	Chairman- Stakeholders Relationship Committee & Nomination and Remuneration Committee Member- Audit Committee, Enterprise Risk Management Committee & CSR Committee.
Shri Chinmay Basu	Independent Director	**NIL**	Member- Enterprise Risk Management Committee & CSR Committee.
Shri K.B. Gokulchan dran	Independent Director	**NIL**	Member-Nomination and Remuneration Committee & Enterprise Risk Management Committee.
Smt G. Padmaja Reddy	Independent Director	**NIL**	Member-Stakeholders Relationship Committee & CSR Committee.
Smt Suneeta Trivedi	Independent Director	**NIL**	Member- Audit Committee, Nomination and Remuneration Committee, Enterprise Risk Management Committee & CSR Committee.

Note:- Non of the Directors have any inter-se relationship among themselves and with any employees of the Company.

(II) ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS DURING THE FINANCIAL YEAR 2017-18 AND IN THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings as per the provisions of the Companies Act, 2013 and adheres to the Secretarial Standards on the Board & Committee Meetings as prescribed by The Institute of Company Secretary of India (ICSI). The Board has complete access to any information within the Company. The Agenda papers containing all necessary information/documents are available to the Board/Committee Members in advance to enable them to discharge their responsibilities effectively and take informed decisions. The information as specified in the Listing Regulation, 2015 is regularly made available to the Board, whenever applicable, for discussion & consideration. The Directors can suggest inclusion of any item(s) in the agenda at the Board meeting. During the financial year 2017-18, the information as mentioned in Schedule II Part A of SEBI (LODR) Regulation 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 financial year 2017-18, a total of 06 meetings of the Board were held and the gap between two meetings did not exceed one hundred and twenty days. The necessary quorum was present in all the meetings.

The details of attendance of Directors at Board Meetings held during the Financial Year 2017-18 and in the last AGM (held on 27.09.2017) are given below:-

Name of the Director	No. of Board Meetings attended	Percent-age (%)	Attendance at the Last AGM held on 27th September, 2017	Remarks
Shri Pravin Kumar Purwar, CMD & Director (Fin)	6/6	100%	Yes	---
Shri Sunil Kumar, Director (HR & EB)	6/6	100%	Yes	---
Shri Sanjeev Kumar, Director (Tech)	6/6	100%	Yes	---
Shri Rakesh Nangia, Independent Director	5/6	83%	Yes	---
Shri Ashok Mittal, Independent Director	4/6	67%	N0	---
Shri Chinmay Basu, Independent Director	3/4	75%	N.A.	Was appointed as Independent Director on 26.10.2017.
Shri K.B. Gokul Chandran, Independent Director	2/4	50%	N.A.	Was appointed as Independent Director on 26.10.2017.
Smt. G. Padmaja Reddy, Independent Director	4/4	100%	N.A.	Was appointed as Independent Director on 26.10.2017.
Smt. Suneeta Trivedi, Independent Director	3/4	75%	N.A.	Was appointed as Independent Director on 26.10.2017.
Shri Amit Yadav, Govt. Director	4/6	67%	No	---
Smt. Tiakala Lynda Yaden, Govt. Director	3/6	50%	NO	---

(III) DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2017-18 (01/04/2017 to 31/03/2018) ARE GIVEN BELOW:-

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	324	30.05.2017	New Delhi	5/7
2	325	14.08.2017	New Delhi	6/7
3	326	26.10.2017	New Delhi	10/11
4	327	14.11.2017	New Delhi	9/11
5	328	16.01.2018	New Delhi	8/11
6	329	13.02.2018	New Delhi	8/11

(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 10 Public Companies or acts as Independent Director in more than 7 Listed Companies. CMD does not serve as Independent Director on any Listed Company. Further none of them is a member of more than ten board level committees or chairman of more than five such committees across all Public Companies in which he is a Director. Also no director of MTNL are holding equity shares of MTNL. Necessary disclosures (MBP-I) regarding Committee Positions/Shareholding in Public Companies including MTNL as on March 31, 2018 have been made by the Directors. None of the Directors are related to each other.

(V) APPOINTMENT OF INDEPENDENT DIRECTORS AND FAMILIARIZATION PROGRAMME FOR DIRECTORS.

All Directors on the Board (including Independent Directors) are appointed by the Govt. of India .Training of newly appointed Directors and familiarization of all the Board Members is the responsibility of the Company. Each newly appointed Independent Director is provided with an appointment letter which sets out their Role, Functions, Duties & Responsibilities and copy of the Code of Conduct is made available to them. The familiarization programme includes the presentation & interactive Session with CMD, other Directors and Senior Management Personnel. The Company Secretary briefs the Director about the Legal & Regulatory responsibilities as a director.

3. AUDIT COMMITTEE

The role and responsibilities of the Audit Committee 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 31.03.2018 the Audit Committee consists of the following Members:-

1) Shri Rakesh Nangia, Independent Director - Chairman
2) Shri Ashok Mittal, Independent Director - Member
3) Smt Suneeta Trivedi, Independent Director - Member

(I) ATTENDANCE OF DIRECTORS AT THE AUDIT COMMITTEE MEETINGS DURING THE FINANCIAL YEAR 2017-18.

The Audit Committee held 04 meetings during the Financial Year 2017-18 and the gap between two meetings did not exceed one hundred and twenty days. The necessary quorum was present in 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 Ashok Mittal	**4/4**	**100%**	---
Shri Rakesh Nangia	**3/4**	**75%**	---
Shri Amit Yadav	**2/3**	**67%**	Ceased to be member of Audit Committee on 14.11.2017 but continue to be Special Invitee to Audit Committee.
Smt. Suneeta Trivedi	**0/1**	**0%**	Became Member of Audit Committee on 14.11.2017.

(II) DETAILS OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2017-18 (01/04/2017 TO 31/03/2018)

Sl. No.	Meeting No.	Date	Place	No. of Members Attended
1	113	30.05.2017	New Delhi	2/3
2	114	14.08.2017	New Delhi	2/3
3	115	14.11.2017	New Delhi	3/3
4	116	13.02.2018	New Delhi	2/3

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 Government Nominee Directors 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 travel expenses & hotel expenses on this account, if any in addition to the sitting fees.

As on 31.03.2018, the Nomination & Remuneration Committee consists of the following members:-

1) Shri Ashok Mittal, Independent Director - Chairman
2) Smt Suneeta Trivedi, Independent Director - Member
3) Shri K.B. Gokulchandran, Independent Director - Member
4) Shri Amit Yadav, Govt. Director - Member

No meeting of the Nomination & Remuneration Committee was held during the Financial Year 2017-18.

(I) The details of remuneration paid to the Whole- Time Directors during F.Y. 2017-18 are 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 P. K. Purwar, CMD & Director (Fin.)	2335746	___	619918	2955664
Shri Sunil Kumar, Director (HR& EB)	2224848	___	607773	2832621
Shri Sanjeev Kumar, Director (Tech)	2035810	___	624809	2660619

**relating to FY 2017-18*

5. STAKEHOLDERS RELATIONSHIP COMMITTEE

The Stakeholders Relationship Committee looks into the investors' complaints and redressal thereof. The Committee reviews the 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 (RTA), and recommends measures for overall improvement in the quality of investor's services.

Letters of Shareholders received through SEBI (SCORES)/Stock Exchange/MCA/Depositories/RTA/Other Statutory Authorities are considered as complaints. The day to day requests received from shareholders are taken up by the RTA of the Company directly and are not included in the complaints. During the F.Y. 2017-18 only Eight complaints were received from the Shareholders directly or through SEBI (SCORES)/ Stock Exchange/MCA, etc which pertains to non-receipt of Annual Report and all the Eight Complaints have been resolved. The Shareholders related matters/issues are given top priority and are resolved within a reasonable period. The investors may submit their request/ grievances through e-mail to the RTA and the Company. The Company Secretary is designated as the "Compliance Officer" who oversees the redressal of the Investor's grievances.

No meeting of the Stakeholders Relationship Committee was held during the Financial Year 2017-18.

As on 31.03.2018, the Stakeholders Relationship Committee consists of the following members:-

1. Shri Ashok Mittal, Independent Director - Chairman
2. Shri Rakesh Nangia, Independent Director - Member
3. Smt. G. Padmaja Reddy, Independent Director - Member

6. CORPORATE SOCIAL RESPONSIBILTY ("CSR") COMMITTEE

The Broad terms of reference of CSR Committee include the following:

- 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;

Since MTNL is incurring losses for the last four years, and last 3 year's average is not showing profits, no fund has been earmarked for the CSR activities. However, MTNL is doing non-functioning CSR activities through SMS, etc. spreading awareness of the Govt. moves for Swachh Bharat, Pulse Polio etc.

No Meeting of the CSR Committee was held during the Financial Year 2017-18.

As on 31.03.2018, 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 Sanjeev Kumar, Director (Tech)	-	Member
iv)	Shri Ashok Mittal, Independent Director	-	Member
v)	Shri Amit Yadav, Government Director	-	Member
vi)	Shri Chinmay Basu, Independent Director	-	Member
vii)	Smt. G. Padmaja Reddy, Independent Director	-	Member
viii)	Smt. Suneeta Trivedi, Independent Director	-	Member

7. ENTERPRISE RISK MANAGEMENT COMMITTEE

The Enterprise Risk Management Committee (ERM) has been constitute to evaluate and present the Risk Management report of the Company to the Board which include 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 measures for mitigating the same. The ERM Policy of the Company is included in Management Discussions and Analysis (MD&A) Report which is included as Annexure to the Director's Report.

As on 31.03.2018, 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 Sanjeev Kumar, Director (Tech) - Member
4. Shri Ashok Mittal, Independent Director - Member
5. Shri Rakesh Nangia, Independent Director - Member
6. Smt. Suneeta Trivedi, Independent Director - Member
7. Shri K.B. Gokulchandran, Independent Director - Member
8. Shri Chinmay Basu, Independent Director - Member

8. SHARE TRANSFER COMMITTEE (STC) & SHARE TRANSFER SYSTEM

(i) The Company has constituted STC consisting of 2 Senior Management level officers which looks after the share transfer/transmission/transposition/remat/demat/ consolidation/splitting of share earned. The committee reviews all such cases fortnightly.

(ii) Shares sent for transfer in Physical form are registered and returned by our Registerar & Share Transfer Agent in 15 days of receipt of the documents, provided the documents are found to be in order. Shares under objection are returned within 2 weeks.

(iii) All the requests for transfer of shares have been processed on time and there are no transfers pending for more than 15 days.

9. SITTING FEES, SERVICE CONTRACTS AND SEVERANCE FEES.

(I) Sitting fees paid to Independent Directors: The fees paid to Independent Directors during the financial year 2017-18 is as under:

Sl No	Name of the Independent director	Sitting fees					
		Board Meetings	Committee Meetings				Total Amount in Rupees
			Audit Committee	CSR Committee	Stakeholder Relationship Committee	Enterprise Risk Management Committee	
1.	Shri Rakesh Nangia	50,000	30,000	-	-	-	80,000

2.	Shri Ashok Mittal	40,000	40,000	-	-	-	80,000
3.	Shri Chinmay Basu	30,000	-	-	-	-	30,000
4.	Shri K.B. Gokulchandran	20,000	-	-	-	-	20,000
5.	Smt. G Padmaja Reddy	40,000	-	-	-	-	40,000
6.	Smt. Suneeta Trivedi	30,000	-	-	-	-	30,000

(II) Service contracts and severance fee: The Chairman-cum-Managing Director and other Executive directors are appointed by the 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 are appointed by the President of India and hold office till further orders. Independent Directors are also appointed by the Government of India for a period of three years or till further orders whichever is earlier.The terms and conditions of appointment of Independent Directors have been uploaded on the MTNL's Website.

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

10. 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: mtnlcsco@gmail.com.

11. LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETING

Nature of meeting	Date and Time	Venue
31st Annual General Meeting (2017)	27th September, 2017, 11:30A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003
30th Annual General Meeting (2016)	30th September, 2016, 11:30 A.M.	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003
29th Annual General Meeting (2015)	29th September, 2015, 11:30 A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003

Special Resolution passed in the last 3yrs 'AGM.

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. A special resolution was passed in the 30th AGM for Issue of Non-Convertible Debentures on Private Placement basis. A special resolution was passed in the 31st AGM for issuance of Non Convertible Debentures on Private Placement basis. No special resolution was passed through Postal Ballot during the FY 2017-18. None of the business proposed to be transacted in the ensuring Annual General Meeting require passing a special resolution through Postal Ballot. There was no EGM held during the FY 2017-18.

12. DISCLOSURES

(I) CEO/CFO Certification - CMD & Director (Finance) of the Company have given the CEO/CFO certification to the Board for the Financial Year 2017-18.

(II) During the last three financial years i.e. 2015-16,2016-17 & 2017-18 there has been no instance 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.

(III) 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: http://mtnl.in/Policy_relpartytransac.pdf

(IV) Whistle Blower Policy: The Policy on Whistle Blower may be accessed on the Company's Website at the link: http://mtnl.in/whistleBlowerPolicy.pdf . 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) Regulation, 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 report, no employee was denied access to the Audit Committee.

(V) Policy on Material Subsidiary: 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: http://mtnl.in/policy_materialsubsidy.pdf 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 placed before the Board of Directors of the Company regularly. The Company does not have any material non-listed Indian subsidiary company.

(VI) 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: http://mtnl.in/PolicyfordeterminingMateriality.pdf

(VII) Preservation of Documents Required to be Maintained under SEBI (LODR),Regulation 2015 & Archival Policy of information hosted on the Website of MTNL: This Policy as prescribed under Regulation 9 of SEBI(LODR),Regulation 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/Preservation.pdf

(VIII) 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: http://mtnl.in/insiderpolicy.pdf

All the Directors, employees and third parties such as Auditors, Consultants etc who could have access to the unpublished price sensitive information of the company are governed by this Code. The trading window is closed during the time of declaration of financial results.

(IX) Business Responsibility Report for the FY 2017-18: In order to comply with Regulation 34 (2) of SEBI (LODR) Regulation, 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.

(X) Share Capital Audit: M/s V.K. Sharma & Co., Practising 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 Central Depository Services Limited ("CDSL") 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 & CDSL.

(XI) 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) Regulation, 2015. 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.

(XII) Certificate by the CMD regarding Affirmation of Compliance of Code of Conduct for Board of Directors, Key Managerial Personnel (KMP) and Senior Management Personnel for the F.Y. 2017-18. The CMD has issued a Certificate of Compliance of the above code by all as under:-

Pursuant to Regulation 26 (3) and Schedule V (D) of SEBI (LODR) Regulations, 2015, I confirm that Board Members, Key Managerial Personnel and Senior Management Personnel of MTNL have affirmed compliance with the "MTNL's Code of Conduct" for Board Members, Key Managerial Personnel and Senior Management Personnel for the Financial Year 2017-18".

Sd/-

(SHRI P.K. PURWAR)

CMD & DIRECTOR (FINANCE)

PLACE: New Delhi

DATE: 05th June, 2018

(XIV) Means of Communication:-

a) The quarterly, half yearly and Annual Financial results were published in English and Hindi Newspapers on the SEBI prescribed format and are also posted on the Company's website i.e. www.mtnl.net.in.

b) Annual Report: The Annual Report containing, inter-alia, Audited Financial Statements, Audited Consolidated Financial Statements, Director's Report, Auditor's Report, Business Sustainability Report, Management Discussion & Analysis (MD&A) Report and other important information is circulated to members and other's entitled thereto & is also displayed on the Company's website www.mtnl.net.in.

c) Printed copy of the Chairman's Speech (English & Hindi version) 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 National Stock Exchange (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) Regulation, 2015 and the general public may view the same.

e) BSE Corporate Compliance & Listing Centre (the "Listing Centre"): The BSE's listing Centre is the Web based application designed for Corporates. 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), Regulation 2015 and the general public may view the same.

f) SEBI Complaints Redress System (SCORES): The investor complaints are processed in a centralized web based complaints redressal 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 - 28th September, 2018 At 11.30 AM.

(c) Venue - Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003

(d) Financial year - 1st April 2017 to 31st March 2018

(e) Financial Calendar

Board meeting for considering Audited Annual Accounts for the year ended on 31.03.2018	30th May , 2018
Submission of Audited Accounts to C&AG of India	1st June , 2018
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th June 2018	14th August, 2018
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th September 2018	On or before 14th November, 2018

Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 31st December 2018	On or before 14th February, 2019
Board Meeting for Annual Financial Results and Unaudited Quarterly Financial Results for the Quarter ended on 31st March 2019	On or before 30th May, 2019

(f) Dates of Book Closure - 22nd September, 2018 to 28th September, 2018 (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, (BSE Ltd.) Mumbai
Scrip Code -'500108',
25th Floor, P.J. Towers, Dalal Street, Mumbai – 400001.

(2) The National Stock Exchange of India Limited, (NSE Ltd.)
Scrip Code -'MTNL'
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 16th October, 2012. The shares of the company is delisted from Madras Stock Exchange w.e.f. 26/07/2013. No Confirmation of delisting has been received from Delhi & Calcutta Stock Exchange so far. However, the Company has not been paying listing fees from the financial year 2013-14 onwards.

(i) Demat ISIN Numbers of Equity Shares of MTNL in CDSL & NSDL - INE 153A01019

(j) Corporate Identity Number (CIN) of MTNL - L32101DL1986GOI023501

(k) Payment of Listing Fees and Annual Custody fee : Annual Listing Fees and Annual Custody fee for the Financial Year 2017-18 has been paid by the company to BSE& NSE and NSDL & CDSL respectively.

k. Stock Market Price Data : Information relating to high & low price during each month in the financial year 2017-18 at BSE and NSE is given here under:-

The Opening Price on BSE as on 01/04/2017 was ₹24.10 and NSE as on 01/04/2017 was ₹24.15
The Closing Price on BSE as on 31/03/2018 was ₹18.85 and NSE as on 31/03/2018 was ₹18.75

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, 2017	27.50	24.10	27.45	24.05

May, 2017	26.60	20.25	26.65	20.20
June, 2017	23.65	20.15	23.60	20.10
July, 2017	23.00	20.20	23.40	20.25
August ,2017	21.15	16.80	21.20	16.80
September, 2017	22.15	18.75	22.15	18.70
October, 2017	21.85	19.20	21.95	19.20
November, 2017	26.65	21.00	26.70	21.00
December, 2017	26.20	19.50	26.20	19.45
January, 2018	31.25	24.10	31.25	24.75
February, 2018	25.85	19.15	25.95	19.05
March, 2018	22.80	18.70	22.80	18.65

(m) 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

(n) 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 Umesh Pandey, Contact No: 9849712635, 040-67161751; FAX NO: 040-67162222, E-MAIL: umesh. pandey@karvy.com

(o) Debenture Trustee Details- SBI CAP TRUSTEE CO.LTD, Apeejay House,6th Floor, West wing,3, Dinshaw Wachha Road Churchgate, Mumbai-400020, Contact person - Shri Ajit Joshi, Company Secretary, Landline:022-43025503, Mobile:08879150003 E-Mail: ajit.joshi@sbicaptrustee.com

(p) 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 share certificates are issued within 15 days from the date of receipt of request for transfer of shares and returned to the Shareholder's by our Registrar and Share Transfer Agent, Shares under objection are returned within 2 weeks. The Board has delegated the authority for approving transfer, transmission, remat, split, consolidation 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 of the Board. 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) Regulation, 2015 and filed a copy of the same certificate with the Stock Exchanges, on half-yearly basis.

(Q) INFORMATION ON SHAREHOLDING

(A) SHAREHOLDING PATTERN OF MTNL AS ON 31ST MARCH, 2018.

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as a % of Total number of Shares
1.	President of India	354378740	56.25
2.	Mutual Funds	4500	0.00

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as a % of Total number of Shares
3.	Financial Institutions/Banks	3494785	0.55
4.	Insurance Companies	124005113	19.70
5.	Bodies Corporates	28857595	4.59
6.	Individuals	100442278	15.95
7.	Trusts	255932	0.05
8.	HUF	6635957	1.06
9.	Clearing Members	1072154	0.12
10.	Foreign Porfolio Investors	2170254	0.34
11	NRI	1493070	0.24
12.	Foreign Bodies Corporate	6000	0.00
13.	Shares held by Custodians and against which Depository Receipts have been issued	7181122	1.15
14.	Any other	2500	0.00
	GRAND TOTAL	**630000000**	**100**

(b) Information on Distribution of Equity Shareholding as on 31st March, 2018.

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	103965	79.59	15353166	153531660.00	2.4370
5001 to 10000	12250	9.37	10427340	104273400.00	1.6551
10001 to 20000	6533	5.00	10313497	103134970.00	1.6371
20001 to 30000	2441	1.86	6376063	63760630.00	1.0121
30001 to 40000	1137	0.87	4124322	41243220.00	0.6547
40001 to 50000	1221	0.93	5858988	58589880.00	0.9300
50001 to 100000	1684	1.28	12792906	127929060.00	2.0306
100001 and above	1394	1.06	564753718	5647537180.00	89.6434
TOTAL	**130625**	**100.00**	**630000000**	**6300000000.00**	**100.00**

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

(r) Dematerialization of shares and liquidity - As on 31st March 2018, 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 of the country viz. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL), and the shareholders have an option to dematerialize their shares with any of them.

(s) Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund(IEPF) – As the Company has not declared any dividend (Final/Interim), for the last seven years, Therefore, Provision of Transfer of Unpaid/Unclaimed amount to IEPF is not applicable.

(t) Transfer of Shares of Shareholders having Unclaimed dividend to IEPF authority- Ministry of Corporate Affairs (MCA) vide its letter no. 05/01/2018-IEPF dtd 02/02/2018 has exempted MTNL from transferring Shares of Shareholders having Unclaimed dividend to IEPF Authority as the Shareholders of MTNL could not encash dividend due to non-declartion of the same by MTNL for the last seven years.

Beneficiary Account:

(u) 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 as under:

DETAILS OF MTNL– UNCLAIMED SUSPENSE ACCOUNT

Opening Balance (as on 01.04.2017)		**Requests received and Disposed off during 2017-2018**		**Closing Balance (as on 31.03.2018)**	
Cases	Shares	Cases	Shares	Cases	Shares
0	0	0	0	0	0

(v) Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:- As on March 31, 2018, the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

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

(x) Plant Locations - The Company has active operations of services in two metro cities i.e. Delhi and NCR and Mumbai including Thane District only.

(y) 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. 2017-2018)

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, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003
4.	Website	www.mtnl.net.in
5.	E-mail id	mtnlcsco@gmail.com
6.	Financial Year reported	2017-18
7.	Sector(s) that the Company is engaged in Service (Industrial activity code-wise)	Telecommunication
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 udertaken 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) (including other income)	₹ 3116.42 Crores
3.	Total profit after taxes (INR) including other comprehensive income.	₹ (2970.65) Crores
4.	Total Spending on Corporate Social Responsibility (CSR) as percentage 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 31.3.2018:-

1. Mahanagar Telephone (Mauritius) Ltd.(Wholly Owned Subsidiary)
2. Millennium 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 which 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 Regulation 2. Regulations 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 No.	Description	Policy/Policies	Director(s) Responsible
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)
4. Telephone No. — 011-2431-5931
   Fax:011-2432-8117
5. E-mail ID — dirhr@bol.net.in

(c)
1. DIN Number — 07566882
2. Name — Sanjeev Kumar
3. Designation — Director(Tech)
4. Telephone No. — 011-2431-5931
   Fax: 011-2431-5646
5. E-mail ID — dirtco@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	Y	Y	Y	Y	Y
8.	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	Y	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/insiderpolicy.pdf

(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 received during the F.Y. 2017-18				**Bribery & Corruption Complaints received during the F.Y. 2017-18**			
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
75	70	05	93.33	37	33	04	89.19

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, GoI and TRAI:

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

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

iii. 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.

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

v. Power factor is being maintained more than 0.95 for all the buildings.

vi. Rationalization of contract demand and sanctioned load has been done.

vii. Free cooling is being done in main buildings, RSUs / BTS.

viii. Rationalization in running of air-conditioners.

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

1. **Please indicate the Total number of employees: 25191** (as on 31.03.2018)
2. **Please indicate the Total number of employees hired on temporary/contractual/casual basis: 971**
3. **Please indicate the Number of permanent women employees: 6262**
4. **Please indicate the Number of permanent employees with disabilities: 119**
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	01
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: 20.10% (5064)

- Permanent women Employees: 19.16% (1200)
- Casual/Temporary/Contractual Employees: Data N/A
- Employees with Disabilities: Data N/A

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

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: *<u>Business should respect and promote human rights</u>*

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: *<u>Business should respect, protect and make efforts to restore the environment</u>*

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, GoI 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, GoI 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, GoI and TRAI. The Emissions/ Wastes generated is within the permissible limits given by the Pollution Control Board during the Financial Year 2017-18.

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 to the extent possible.

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.**

DETAILS OF CUSTOMER COMPLAINTS FOR THE PERIOD FROM APRIL 2017 TO MARCH 2018.

S.No	PARTICULARS	TOTAL RECEIVED		TOTAL PENDING		% OF PENDING CASES AT THE END OF FINANCIAL YEAR	
		MUMBAI	DELHI	MUMBAI	DELHI	MUMBAI	DELHI
1.	P.G. Cases	1067	19769	26	127	2.4%	0.64%
2.	Landline Faults	1552936	1393234	4586	1397	0.3%	0.10%
3.	Broadband Faults	694226	682454	4236	953	0.6%	0.14%

2. **Does the company display product information on the product label, over and above what is mandated as per local news? 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.

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.**

   NIL

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

   Yes, “Broadband Customer Surrender Survey” & “Broadband Customer Satisfaction Survey” were carried out through Personal Interaction & Telephonic interview. Also a survey of Customer needs was got done in FY 2017-18 for Connaught Place, New Delhi area.

ANNEXURE VII TO DIRECTORS' REPORT

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

(ENTERPRISE RISK MANAGEMENT POLICY OF MTNL) FOR THE F.Y. 2017-18.

INTRODUCTION:

MTNL was incorporated as Public Sector Undertaking in the year 1986 with an Authorized share capital of ₹ 800 crore to serve the cities of Delhi including NCR and Mumbai including Thane District 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. Following major risks are faced by MTNL in the current competitive telecom scenario and it's Management & Minimization for the F.Y. 2017-18 are mentioned below:-

ENTERPRISE RISK MANAGEMENT IN MTNL

1. MARKET/COMPETITION RISK:

The market of 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, mobile and fixed wireless telephony services as well as 4G services. The subscriber base of MTNL has declined during last few years due to lack of enough investment by MTNL in technology/network expansion & up gradation, severe competition in the sector with entrance of few big players and strategic consolidation in the telecom sector.

Increased competition in wireless services continue to keep downward pressure on prices and will require more capital investment to improve and expand our services and to keep abreast of technological changes in mobile services. Telecommunication tariffs in India have declined significantly in recent years due to cut throat competition in the market, which adversely affected revenues of the industry. As a result of competition, the revenue of services has declined. Further, our operations being limited to cities of Mumbai and Delhi inhibit us in competing with companies with a Pan-India presence.

Further, the introduction of 4G services by various competitors has already put additional constraints as presently MTNL is providing only 2G/3G services and the launching of 4G services with the support of Govt. as 100 % spectrum cost to be funded through equity infusion of capital by Govt. is still under consideration.

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 the services. The license for fixed-line services is valid until March 31, 2023 and administratively allocated spectrum for cellular services (2G) is valid until 05-04-2019. As per the present Govt. policy MTNL may be required to pay around ₹1718/- Cr for 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. However MTNL has already represented to DOT for seeking extension of CMTS license with administratively allocated spectrum up to 10-01-2021, the date on which MTNL license's got geographical coverage and is made at par with private operators as per the standard terms & conditions of license. 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 filed by other operators. Further in the case of non availability of 2G spectrum will effect the continuation of service or put additional financial cost to MTNL.

MTNL has adjusted the SUC and License fee amounting Rs.801.98 crores 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. 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 a situation although the adjustment is done as [per cabinet decision , the remote chance of coercive action such as levy of penalty and interest cannot be ruled out and will remain a threat for the company which includes forcing MTNL to pay the above amounts with interest and penalty.

Telecom regulator TRAI has already reduced ceiling tariffs on termination charges and also on roaming charges in the past year also have significant impact on the revenues. The combined annual effect of all these regulations mentioned above including those on port charges and abrogation of incoming call termination charges is clearly seen on the revenue of MTNL 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), Implementation of Ind AS & ICFR already made the compliance very cumbersome and costly affair. Further implementation of GST w e f 01-07-2017 also added additional cost burden for MTNL including additional cash flows and the need to revamp the existing IT, Billing & Accounting software in compliance to GST requirement will add up further to the cost element. The risk of imposing heavy penalties under GST and SEBI regulations as well as risk of debarring from the exchanges for non-compliance or delay in compliance with reference equity and debt listing requirements also need to be taken care of by proper training to the work force of MTNL to gear up fully for compliance requirements. This threat is all the more difficult to be tackled considering the existing work culture.

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.

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 regular checks through various reports as well TRAI metering & billing audit audits and there are 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 Rs. 2000-2500 Cr. required over next 2-3 years for up-gradation and expansion. The company has planned to upgrade its 3G network in Delhi & Mumbai and manage to incurred CAPEX of more than Rs.500 crore (including 3G network up gradation) during the year ended up to 31-03-2018 with the help of borrowings only. However being in a debt trap of ₹17720 Cr as on 31.03.2018 (excludes ₹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 to raise quality of service and thereby revenue/customer retention.

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 be carried out.

3.1: MTNL's 2G / 3G network in Delhi & Mumbai is 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 equipment. The Validity of the Cellular License is also approaching its due date, i.e. 05-04-2019, if extension request of MTNL is not considered by the Government.

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 400 Mbps airlink capacity. 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 wherever feasible. This will subsequently reduce the MW backhaul requirement of MTNL.

ii. ***3G Network Up-gradation in Delhi and Mumbai:*** 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. Presently there are only 720 Node-Bs in Mumbai while in Delhi soon it shall be around 1800 whereas for proper coverage of mobile network require more Node-Bs in Delhi and Mumbai.

iii. ***Expansion of GSM / 3G RF network:*** The network coverage will be improved by adding 1080 Node-Bs in Delhi .The packet core capacity (Data handling capacity of network) will be upgraded from existing capacity of 400 Mbps (Delhi) to 10 Gbps .

iv. ***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.

v. ***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. MTNL has also Partnered with Two Companies for providing managed Services on revenue share basis to roll out FTTH Services

vi. Investment of Rs. 2000-2500 Cr. required over next 2-3 years for above up-gradation and expansion. However being in a debt trap, it is a great threat for the company to meet the Capex requirement.

3.3 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. 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.

MTNL's Wireline Network is predominantly Copper based, which is expensive to be laid and difficult to maintain. High cost of Copper also poses a constant threat of theft of cables, laid down by MTNL. On the other hand, Fiber connectivity is Cheaper to maintain with comparatively lesser theft threat and above all offers better bandwidth and reliability of the network. To mitigate the risks involved with Copper network, MTNL needs to progressively migrate to Fiber network.

Present ADSL technology, being used by MTNL for Broadband, offer limited Download/Upload capabilities of 3/21 Mbps, whereas there is increasing demand among customers for higher upload speeds. The latest VDSL technologies offer 300 Mbps each for Downlink as well Uplink. With ever changing scenarios, MTNL needs to switch to latest VDSL technologies to cater the latest requirements of higher upload speeds.

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.

Apart from this, there is acute shortage of competent and motivated work force at all levels including executives & non-executives. This significantly hampers effective network planning and rollout, policy implementation, operations and customer management at field level.

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. 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. 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 April 1st, 1986). Although MTNL has valid possession 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 25408 working employees as at 31-03-2018 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 overstaffing and the legacy staff cost which is threat upon MTNL which 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 is around 5% where as it is more than 103% presently as on 31-03-2018 in case of MTNL.

5. FINANCIAL/LIQUIDITY/DEBTS MANAGEMENT RISK:

Vide 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 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 103% of service revenue in MTNL and interest costs on debts to the tune of 63.47 % of service 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 ₹17,720 crore from banks up to 31-03-2018 excluding DOT liability, and servicing interest towards bank itself which is presently around 48.30% of total revenues including other income 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 leading a defaulting scenario, without the revival plans taking shape on war footing.
- **Debts Management:** the debt management of the company is itself a big challenge. As on 31-03-2018 company has total debts of ₹ 17720 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 servicing/interest servicing coverage ratio of the company as on 31-03-2018 are -0.82 & -0.97 on furthering trend year on year basis. Similarly debt equity ratio i.e. -1.80 is also negative as on 31-03-2018.

6. Ongoing Concern Risk:

Net worth of MTNL is negative as on 31/03/2018 to the tune of ₹6337.35 Cr and debts service as well as interest service coverage ratio is also negative. Further vide exposure of loans from bank and financial institution and heavy repayment schedule of loans as well as interest payment to Bank & Financial Institutions in the coming years, there is possible risk of liquidity crunch in near future, which will be a great threat to MTNL to keep it as ongoing concern in near future.

MTNL has a joint venture in Nepal M/s UTL Nepal, which incurring continuous losses and to rest the MTNL share of losses in UTL Nepal, the management has exercised the exit option from the of UTL Nepal as per clause no 12.19 of amended agreement on 15.12.2014 through which the JV partners with the exception of NVPL had the option to exit the JV at par.

7. 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 Revenue Assurance 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 onwards 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.

8. 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 equipment's 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 could be finalized initially for June 2016 and further extended up to June 2017 on as-is-where basis and there is no further support available.

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 became 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.

MTNL Network Audit by third party i.e. M/s PWC has been completed in 2016.

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.

MTNL has finalized common IT policy for all Line of Business (LoBs) & network and has been in effect since 01.01.2016. The IT policy 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.

(vii) ***Aadhar based booking –*** MTNL is going to implement Aadhar based eKYC booking for Mobile & Landline and Bill presentment & payment through PoS. The benefit of eKYC is to reduce the activation time of service and authentication of subscribers instantly from UIDAI Data Center. The payment through PoS is a step towards Smart Service Centers.

(viii) ***Analytics Engine -*** MTNL needs to move towards data led positioning and to install a customer analytics engine. Analytics will enable differential billing and Customer profiling basis on the history of usage of customer thereby helping MTNL in identification of target audience. With this Cluster assessment can also be implemented to identify potential high revenue clusters. MTNL needs to invest in real-time predictive analysis and tailoring products to customer. Customer analytics features can help to provide customer specific plans. MTNL does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. However MTNL is having many standalone packages with interfaces. The risk of not having a ERP type of system is inherent.

9. 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 to 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.

10. 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.

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ANNUAL ACCOUNTS

2017-18

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INDEPENDENT AUDITORS' REPORT

TO,
THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Standalone Ind-AS Financial Statements

We have audited the accompanying standalone Ind-AS financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED,** ("the Company'), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind-AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind-AS financial statements that give a true and fair view of the State of Affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind-AS) prescribed under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind-AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

We conducted our audit of the standalone Ind-AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind-AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind-AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind-AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind-AS financial statements.

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

Basis for Qualified Opinion

(i) *The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 as well as in the previous year and the current liabilities exceeded the current assets substantially.*

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

However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)

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

a) *The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of ₹ 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements)*

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

c) *The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid*

CENVAT credit amounting to ₹ 115.61 Crores has not been carried forward or ineligible credits amounting to ₹ 50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

d) *The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified.*

(iii) *The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 6,464.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).*

(iv) *Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 58 to the standalone Ind-AS financial statements).*

(v) *The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).*

(vi) *Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).*

(vii) *The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial* *statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).*

(viii) *Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).*

(ix) *(a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.*

(b) Unlinked credit of ₹ 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).

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

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

(xi) *Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS 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 license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.*

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

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

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 57 to the standalone Ind-AS financial statements).

(xiii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).

(xiv) During the year, the Company has booked an income amounting to ₹ 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 78 to the standalone Ind-AS financial statements).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) on the standalone Ind-AS financial statements of the Company for the year ended on 31st March 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid standalone Ind-AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind-AS), of the state of affairs (financial position) of the Company as at 31st March, 2018 and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matters

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

(i) Impairment in the value of investments in subsidiary, joint ventures, and associates are considered temporary in nature by management and no provision for impairment in value of these investments has been done.

(ii) Refer note no. 61 to the standalone Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.

(iii) Point no. (a) of note no. 62 to the standalone Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iv) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no. 15 to the standalone Ind-AS financial statements).

(v) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 15 and 18 to the standalone Ind-AS financial statements).

(vi) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the standalone Ind-AS financial statements.

(vii) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the standalone Ind-AS financial statements and further explained in point no. (d) of Note no. 68 to the standalone Ind-AS financial statements.

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

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

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

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the **Annexure - 'A'** a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(5) of the Act, we give in **Annexure – 'B',** a statement on the matters specified by the Comptroller and Auditor-General of India for the Company.
3. As required by Section 143 (3) of the Act, we report that:

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except for the matters described in point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis of Qualified Opinion given above;

(b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for our comments under the head 'Basis for Qualified Opinion' stated above;

(c) The Balance Sheet, the Statement of Profit and Loss (including Other Comprehensive Information), the Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement the books of account;

(d) In our opinion and based on our comments in point nos. (i), (ii)(c), (iv), (v), (vi), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis for Qualified Opinion given above, the aforesaid standalone Ind-AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act except for Ind-As – 1 regarding Presentation of Financial Statements, Ind-AS – 16 regarding Property, Plant and Equipment, Ind-AS – 17 regarding Leases, Ind-AS – 18 regarding Revenue, Ind-AS – 36 regarding Impairment of Assets and Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets;

(e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, government companies are exempt from the applicability of Section 164 (2) of the Act;

(f) With respect to the adequacy of internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in **"Annexure C":**

(g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

(h) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;

i. the Company has disclosed the impact of pending litigations, wherever quantifiable, on its financial position in its standalone Ind-AS financial statements. Refer note no. 48 to the standalone Ind-AS financial statements.

ii. the Company is not required to make any provision for any material foreseeable losses, as required under applicable laws or accounting standards, on long terms contracts. Also the Company is not dealing into derivatives contracts. Refer note no. 74 to the standalone Ind-AS financial statements.

iii. There were no amounts which were required to be transferred to the Investor, Education and Protection Fund. Refer note No. 73 to the standalone Ind-AS financial statements.

FOR MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 000517N

(NIKHIL AGARWAL)
PARTNER
Membership No.: 419806

FOR KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 007814N

(ROOPA GARG)
PARTNER
Membership No.: 500677

PLACE : NEW DELHI
DATED : 30th, May, 2018

ANNEXURE-A

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

REFERRED TO IN OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHANAGAR TELEPHONE NIGAM LIMITED ON THE STANDALONE IND-AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH, 2018.

(i) (a) Delhi unit has maintained records of fixed assets. However in MS unit-Delhi, identification numbers are not mentioned. It has been noticed that records of the Estates Department in respect of land and building do not match with the records as per financial books. In case of Mumbai units (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai units are not updated and reconciled with the financial records. Also identification numbers are not mentioned in respect of most of the items. Corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.

(b) As per the accounting policy of the Company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, Office Machinery and Equipments, Leased Premises and Cables were physically verified in accordance with programme of verification by the management during the year and no material discrepancies were noticed on such verification. The accuracy, reliability and completeness of the fixed assets verification procedure could not be verified by us.

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

		(₹ in Crores)
PARTICULARS	**DELHI UNIT**	**MUMBAI UNIT**
Free Hold Land		
-Total Number of Cases	**1**	**23#**
-Gross Block	**0.06**	**4.15**
Lease Hold Land		
-Total Number of Cases	**89***	**12#**
-Gross Block	**219.53**	**2.65**
-Net Block	**152.03**	**1.78**
Building		
-Total Number of Cases	**53****	**3##**
-Gross Block	**32.37**	**1.53**
-Net Block	**3.89**	**0.76**

In respect of Delhi Units:

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

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

In respect of Mumbai Units:

In respect of 12 cases where the possession of freehold and leasehold land are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 freehold lands and 6 leasehold lands are not in the name of the Company.

In respect of 5 cases where the possession of freehold and leasehold buildings are lying with the Company but the value of which are

not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 leasehold building are not in the name of the Company.

Further, in most of the cases, value of the immovable properties as per title deeds are not matching with books of accounts and in respect of 9 cases, court cases are pending with the various authorities out of which title deed of 1 freehold land and 1 leasehold land are not in the name of the Company.

Furthermore, in respect of 9 cases of freehold and leasehold land where total area measuring 21,160 square meter have been encroached by the various persons in respect of which matter is either pending in court or perusing with the various authorities for clearing the encroachment. Out of total 9 cases, title deed of 2 freehold land measuring 1840 square meter and 1 leasehold land measuring 200 square meters are not in the name of the Company.

(ii) In respect of Delhi Units:

In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Sub-stores of Basic Unit Delhi, Store of Wireless Unit Delhi.

In respect of Mumbai Units:

In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Area Stores of East-1, HQ Transmission and Planning Units, ANC Area Stores and Sub-Stores of Mumbai Basic Units and inventory of Wireless Unit Mumbai. Further, reconciliation of the physically verified inventory with books of accounts has not been done by the units except by Material Management (MM) Unit.

Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

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

(iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus, paragraph 3(iv) of the Order is not applicable

(v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed there under.

(vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for year 2017-18.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, wherever applicable, have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess or other statutory dues were in arrears as at 31st March 2018 for a period of more than six months from the date they became payable except in respect of the following:

Name of the Statue	Nature of the Dues	Amount (in ₹)	Period to which the amount relates	Due Date	Date of Payment
Luxury Tax Act, 1987	Luxury Tax	11,49,680	April, 2017 to June, 2017	21st day of the following month/quarter	Amount has not been paid

	TOTAL	11,49,680			

The amounts of Luxury Tax collected and not deposited are lying with the company. The same should be deposited along with interest. The amount of Interest has not been provided in the financial statements. Considering the quantum of irregularity, the same has not been considered in the basis of qualified opinion paragraph.

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following dues:

In respect of Delhi Units:

i. Sales Tax

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

ii. Service Tax

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	8.45	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.13	2006-08	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	0.08	2000-03	Commissioner of Central Excise and Service Tax
Finance Act, 1994	0.71	2008-12	Commissioner of Central Excise and Service Tax
TOTAL	**31.37**		

iii. Labour Cess

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

In respect of Mumbai Basic Units

i. Income Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	1.03	2000-08	Hon'ble Supreme Court of India
Total	**1.03**		

ii. Sales Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending
Bombay Sales Tax Act, 1959	0.17	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	5.27	1996-97	Hon'ble High Court of Bombay
Bombay Sales Tax Act, 1959	351.85	1997-98	Hon'ble Supreme Court of India
Bombay Sales Tax Act, 1959	216.01	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	101.32	2004-05	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	14.97	2009-10	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	6.11	2011-12	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	26.47	2012-13	Joint Commissioner of Sales Tax, Mumbai
Total	**722.16**		

iii. Luxury Tax

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.64	2007-08	Joint Commissioner of Sales Tax (Appeal) - IV, Mumbai
Luxury Tax Act, 1987	1.11	2008-09	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.26	2009-10	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.51	2010-11	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.93	2011-12	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	2.17	2012-13	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Total	**5.63**		

iv. Service Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	0.07	2013-14	Custom, Excise and Service Tax Appellate Tribunal
Total	**0.07**		

In respect of Mumbai MS Unit:

Central Excise:

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending
Central Excise Act, 1944	0.29	2004-05	Commissioner of Central Excise
Central Excise Act, 1944	0.32	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	0.53	2013-14	Commissioner of Central Excise
Central Excise Act, 1944	0.11	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	2.73	2005-06	Commissioner of Central Excise
Total	**3.62**		

In respect of Corporate Office:

Income Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Period to which amount relates	Forum where the dispute is pending	Remarks
Income Tax Act, 1961	0.00	1998-2010	Hon'ble High Court of Delhi, Income Tax Appellant Tribunal and Commissioner of Income Tax (Appeal)	Total disputed demand of ₹ 775.75 Crores either paid by the Company or deducted by the Income Tax Department from refund due to the Company
Total	**0.00**			

(viii) The Company has not defaulted in the repayment of loans or borrowings to a financial institution, bank, Government or dues to debenture holders.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year and term loans have been generally applied for the purposes for which they were raised.

(x) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2018.

(xi) In view of the Government notification No. GSR 463 (E) dated 5th June, 2015; Government Companies are exempt from the applicability of Section 197 of the Companies Act 2013. Accordingly clause 3 (xi) of the Order is not applicable to the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Hence, Clause 3 (xii) of the Order is not applicable to the Company.

(xiii) In our opinion and as per the information and explanation given to us, the company has not entered into any transaction requiring compliance with Section 177 and 188 of the Companies Act, 2013. Hence, Clause 3 (xiii) of the Order is not applicable to the Company.

(xiv) Based on the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review requiring compliance with Section 42 of the Companies Act, 2013. Hence, Clause 3 (xiv) of the Order is not applicable to the Company.

(xv) Based on the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Hence, Clause 3 (xv) of the Order is not applicable to the Company.

(xvi) In our opinion and according to the information and explanations given to us, Company is not required to register under Section 45 – IA of the Reserve Bank of India Act, 1934. Hence, Clause 3 (xvi) of the Order is not applicable to the Company.

FOR MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 000517N

(NIKHIL AGARWAL)
PARTNER
Membership No.: 419806

FOR KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 007814N

(ROOPA GARG)
PARTNER
Membership No.: 500677

PLACE : NEW DELHI
DATED : 30th, May, 2018

ANNEXURE - B

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

REFERRED TO IN OUR INDEPENDENT AUDITORS' REPORT OF EVEN DATE TO THE MEMBERS OF MAHANAGAR TELEPHONE NIGAM LIMITED ON THE STANDALONE IND-AS FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2018.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Standalone) for the year 2017-18 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

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

<table>
<tr><th>Sr. No.</th><th>Areas Examined</th><th>Observation / Finding</th></tr>
<tr><td>1</td><td>Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.</td><td>The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under :

DELHI UNIT
The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold.

MUMBAI UNIT
The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.</td></tr>
<tr><td>2</td><td>Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.</td><td>The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under:
<table><tr><th>Particulars</th><th>(₹ in Crores)</th></tr><tr><td>Write off of debts
Due to non recoverability</td><td>22.73</td></tr><tr><td>Waiver of penalty & interest</td><td>Nil</td></tr><tr><td>TOTAL</td><td>22.73</td></tr></table></td></tr>
</table>

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.
4	Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.	The details have been verified by us.

FOR MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 000517N

(NIKHIL AGARWAL)
PARTNER
Membership No.: 419806

FOR KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 007814N

(ROOPA GARG)
PARTNER
Membership No.: 500677

PLACE : NEW DELHI
DATED : 30th, May, 2018

ANNEXURE - C

ANNEXURE TO THE INDEPENDENT AUDITORS' REPORT

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

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

We have audited the internal financial controls over financial reporting of **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2018 in conjunction with our audit of the standalone Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

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

Meaning of Internal Financial Controls over Financial Reporting

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

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind-AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind-AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2018:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower

provision for impairment of assets.

(iv) *The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.*

(v) *The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.*

(vi) *The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.*

(vii) *The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.*

(viii) *The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.*

(ix) *The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.*

(x) *The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing systems does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.*

(xi) *The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.*

(xii) *The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.*

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

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind-AS financial statements of the Company.

FOR MEHRA GOEL & CO.	**FOR KUMAR VIJAY GUPTA & CO.**
CHARTERED ACCOUNTANTS	**CHARTERED ACCOUNTANTS**
Firm Registration No.: 000517N	**Firm Registration No.: 007814N**
(NIKHIL AGARWAL)	**(ROOPA GARG)**
PARTNER	**PARTNER**
Membership No.: 419806	**Membership No.: 500677**

PLACE : NEW DELHI
DATED : 30th May, 2018

MAHANAGAR TELEPHONE NIGAM LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2018

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

The accompanying notes are integral part of the financial statements.
This is the balance sheet referred to in our report of even date.

For and on behalf of Board of Directors

For Mehra Goel & Co. Chartered Accountants FRN: 000517N	**For Kumar Vijay Gupta & Co.** Chartered Accountants FRN No. 007814N	**(Sultan Ahmed)** GM (Finance) CO	**(S.R. Sayal)** CO. Secy.
Sd/- **(Nikhil Agrawal)** Partner Membership No. 419806	Sd/- **(Roopa Garg)** Partner Membership No. 500677		Sd/- **(P. K. Purwar)** Chairman & Managing Director DIN 06619060

Place : New Delhi
Date : 30 May 2018

MAHANAGAR TELEPHONE NIGAM LIMITED
Statement of Profit and Loss for the year ended 31 March 2018

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

The accompanying notes are integral part of the financial statements.

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

For and on behalf of Board of Directors

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

Sd/-
(Nikhil Agrawal)
Partner
Membership No. 419806

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

Sd/-
(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(P. K. Purwar)
Chairman & Managing Director
DIN 06619060

Place : New Delhi
Date : 30 May 2018

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Cash Flow Statement for the year ended 31 March 2018

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

For and on behalf of Board of Directors

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

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

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(Nikhil Agrawal)
Partner
Membership No. 419806

Sd/-
(Roopa Garg)
Partner
Membership No. 500677

Sd/-
(P. K. Purwar)
Chairman & Managing Director
DIN 06619060

Place : New Delhi
Date : 30 May 2018

MAHANAGAR TELEPHONE NIGAM LIMITED

Statement of changes in equity for the year ended 31 March 2018

A Equity share capital

(₹ in crores)

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

B Other equity

(₹ in crores)

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

For and on behalf of Board of Directors

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

Sd/-
(Nikhil Agrawal)
Partner
Membership No. 419806

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

Sd/-
(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(P. K. Purwar)
Chairman & Managing Director
DIN 06619060

Place : New Delhi
Date : 30 May 2018

1. 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. The registered office of the company is located at Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi – 110003.

Basis of preparation

These financial statements have been prepared in accordance with the Indian Accounting Standards (hereinafter referred to as the 'Ind AS') as notified by Ministry of Corporate Affairs pursuant to section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

These Financial statements are separate financial statements of the Company. The Company has also prepared consolidated financial statements for the year ended 31 March 2018 in accordance with Ind AS 110 and the same were also approved for issue by the Board of Directors on 30 May 2018.

The financial statements have been prepared on accrual and going concern basis. All assets and liabilities have been classified as current or non-current as per the Company's Act, 2013. Based on the nature of products and the time between acquisition of assets for processing and their realisation in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current or non-current classification of assets and liabilities.

The financial statements have been prepared on going concern basis under the historical cost convention except for the following –

- Certain financial assets and liabilities which are measured at fair value;
- Defined benefit plans – plan assets measured at fair value; and
- Assets held for sale – measured at fair value less cost to sell

2. Summary of significant accounting policies

a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable net of discounts, process waivers, and VAT, service tax/GST or duty. Revenue is recognized on accrual basis, including income from subscribers whose disputes are pending resolution, and closure of the subscribers' line.

a) In the case of contracts involving delivery of single service element, accounting for revenue would be done on accrual basis and revenue would be recognized over the period in which services are rendered.

b) In case of multi-element revenue arrangements, which involve delivery or performance of multiple products, services or right to use assets, evaluation will be done of all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of arrangement. Total arrangement consideration related to the bundled contract is allocated among the different elements based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on residual value method.

c) For sale of prepaid products, processing fee on recharge coupons is recognized over the customer relationship period or coupon validity period, whichever is lower.

d) Activation &installation revenue and related costs, not exceeding the respective revenue, are to be deferred and amortized over the estimated customer relationship period. The excess of costs over revenue, if any, are to be expensed as incurred. Subscriber acquisition costs are to be expensed as incurred.

e) Income from sale of prepaid calling cards, virtual calling cards (VCC) and prepaid internet connection cards is recognised basis the usage or expiry of cards, whichever is earlier.

f) Interest income/expenditure is to be recognized based on effective interest rate [EIR] i.e. the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs fees paid or received, premiums or discounts if any etc. The difference between the actual interest rate and effective interest will be routed through statement of profit or loss.

g) Income from services includes income from leasing of infrastructure to other service providers. Cost of related stores and materials consumed in execution 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 cost.

h) Sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.

b) Post-employment benefits

a) Defined contribution plan

A defined contribution plan is a plan under which the Company pays fixed contributions into an independent fund administered by the government. The Company has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. Company's defined contribution plans include provident fund, pension contribution and leave salary.

(i) In respect of absorbed combined service pension optees in MTNL, provision for pension contribution is payable to the Govt. of India as per FR-116 as in Bharat Sanchar Nigam Limited ('BSNL') with equivalent BSNL pay scales and it is expensed off in the relevant year.

(ii) In respect of officials who are on deemed deputation from Department of Telecommunications (DoT) and other Government departments, the provision for pension contribution is payable to the Government of India at the rates specified in Appendix 2(A) to FR 116 and 117 of FR. & SR and it is expensed off in the relevant year. Further, provision for leave encashment is payable @ 11% of pay as specified in appendix 2(B) of F.R.116 and 117 of F.R. & S.R. and it is expensed off in the relevant year.

b) Defined benefit plan

The defined benefit plans sponsored by the Company defines the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Company. The Company's defined benefit plans include amounts provided for gratuity and provident fund.

(i) For Absorbed CPF optees and direct recruits of MTNL, the Company makes contribution to provident fund Trust administered by the Company, which is recognised by the income tax authorities. Both the employer and employee contribute to this Fund and such contributions together with interest accumulated thereon are payable to employees at the time of their separation from the Company or retirement, whichever is earlier. The interest rate payable to the members of the Trust is not lower than the rate of interest declared annually by the Government under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, on account of interest is to be made good by the Company. Accordingly, this is accounted for a defined benefit plan and any shortfall in the Fund is accounted as expense in the books of the company.

(ii) For Absorbed CPF optees and direct recruits of MTNL, the liability for gratuity is estimated using actuarial valuation as the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

(iii) 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. Long-term provisions in this respect have been discounted using the applicable discount rates.

c) *Other long-term employee benefits*

(i) Liability for leave encashment for all employees of MTNL is accounted for on actuarial valuation basis, performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the standalone statement of profit and loss in the year in which such gains or losses arise.

(ii) 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.

d) Short-term benefits comprise of employee costs such as salaries, bonus, ex-gratia, short-term compensated absences are accrued in the year in which the associated services are rendered by employees of the Company.

e) Bonus/Ex-gratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company.

c) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which is generally considered as one year, to get ready for its intended use or sale are capitalised as part of the cost of the asset. Further, projects with estimated cost up to ₹30 crores generally take a year to complete. All other borrowing costs are expensed in the period in which they occur and reported in finance cost. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Transaction costs in respect of long-term borrowings are amortized over the tenor of respective loans using effective interest method.

d) Property, plant and equipment

Recognition and initial measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are statedat cost less accumulated depreciation.The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. 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 land is taken.

ii. Building is capitalized to the extent it is ready for use.

iii. Apparatus &plants principally consisting of telephone exchange equipment and air conditioning plants are capitalised on commissioning of the exchange. Subscriber's 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 capitalised as and when laid or erected to the extent completion certificates have been issued.

v. Cables are capitalised as and when ready for connection with the main system.

vi. Vehicles and other assets are capitalized as and when purchased.

(a) Property, plant and equipment 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.

(b) Expenditure on replacement of assets, equipment, instruments and rehabilitation work is capitalized if it is expected to generate future economic benefits for more than one year.

(c) Upon scrapping/decommissioning of assets, these continue to be classified in property, plant and equipment unless they are classified as 'held for sale' and carried at the lower of carrying value or fair value less costs to sell. Resultant loss, if any, is charged to standalone statement of profit and loss.

(d) Cost of major inspection is recognized in the carrying amount of plant and equipment if it is expected to generate economic benefits and its life is more than one year.

(e) On replacement of significant components of plant and equipment, recognition is made for such replacement of components as individual assets with specific useful life and depreciated as if these components are initially recognised as separate asset.

(f) In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognised as interest expense and not included in cost of asset.

(g) The present value of expected cost for decommissioning of the asset on expiry of its useful life is included in the cost of respective asset. A provision for decommissioning is also created with equivalent amount.

(h) Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss as 'other income' or 'other expenses', as the case may be, on the date of disposal.

Subsequent measurement

(a) Depreciation is provided by Parent using 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 equipment) and identifiable components in Apparatus &plant having significant cost and/or separate useful life than the main asset, mobile handsets for service connection and low cost aerial optical fibre cable 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. The estimated useful lives and residual value are reviewed at the end of each reporting period.

For Apparatus & plant (including Towers, Transceivers, switching centres, transmission & other network equipment), Office equipment & Cable having useful life of 10 Years other than following assets/components with shorter useful lives –

Name of assets	Useful life (years)
1. UPS/Battery up to 300AH capacity	4
2. UPS/Battery more than 300AH capacity	7
3. ADSL, VDSL & MES CPES	5
4. Subscribers telephone instruments	5

For **Office Equipment** having useful life of 5 Years other than following assets/components with shorter useful lives –

Name of assets	Useful life (years)
5. Mobile handset for service connection	4

For **Cable** having useful life of 18 years other than following assets/components with shorter useful lives –

Name of assets	Useful life (years)
6. Low cost aerial optical fibre cable	3

(b) 100 % depreciation is provided on assets immaterial in value up to ₹ 0.05 lakh, in the year of purchase itself,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, which is not considered to be material.

(c) Value of leasehold Land is amortized over the period of lease.

(d) Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or destroyed or replaced.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all its property, plant and equipment recognised as at 1 April 2015 measured as per the provisions of previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

e) Intangible assets

Intangible assets are stated at their cost of acquisition and/or development less accumulated amortisation. Intangible assets including application software are capitalised when ready for use. All intangible assets with definite useful life are amortized on a straight line basis over the estimated useful lives and a possible impairment is assessed if there is an indication that the intangible asset may be impaired.

(a) Intangible assets represented by one-time upfront payment for 3G spectrum is amortized on straight-line basis over the period of license i.e. 20 years.

(b) Application software is amortised on straight-line basis over the useful life of the assets which is considered as 10 years.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all its intangible assets recognised as at 1 April 2015 measured as per the provisions of previous GAAP and use that carrying value as the deemed cost of intangible assets.

f) Leased assets

Company as a lessee

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Company obtains ownership of the asset at the end of the lease term. Where the Company is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability.

Assets held under finance leases (including land) are depreciated over their estimated useful lives.The corresponding finance lease liability is reduced by lease payments net of finance charges.The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to statement of profit and loss, as finance costs over the period of the lease.

Operating leases

Assets acquired on leases where a significant portion of risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental are charged to standalonestatement of profit and loss on straight-line basis except where scheduled increase in rent compensate the lessor for expected inflationary costs.Associated costs, such as maintenance and insurance, are expensed as incurred.

Company as a lessor

Operating leases

Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.The respective leased assets are included in the balance sheet based on their nature. Rental income is recognized on straight-line basis over the lease term except where scheduled increase in rent compensates the Company with expected inflationary costs.

Indefeasible right to use (IRU)

As a part of operations, the Company enters into agreement for leasing assets under "Indefeasible right to use" with third parties. Under the arrangement, the assets are given on lease over the substantial part of the asset life but the title to the assets and significant risk associated with the operation andmaintenance of these assets remain with the lessor. Hence, such arrangements are recognised as operating lease and revenue is recognised over the tenure of the agreement.

g) Non-current assets held for sale and discontinued operations

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Company's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the standalonestatement of profit and loss.

h) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition the investment properties are stated at cost less accumulated depreciation.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of investment properties other than land.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss in the period in which the property is derecognized.

Transition to Ind AS

On transition to Ind AS, the Company has elected to continue with the carrying value of all its investment properties recognised as at 1 April 2015 measured as per the provisions of previous GAAP and use that carrying value as the deemed cost of investment properties.

i) Inventories

Inventories being stores and spares are stated at the lower of cost and net realisable value. However, inventories held for capital consumption are stated at cost.

Cost of inventories:

Cost of stores and spares is determined on weighted average basis.

Net realisable value:

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Provision for obsolescence and slow moving inventory is made based on management's best estimates of net realisable value of such inventories.

j) Foreign currency translation

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the statement of profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Company's financial statements, all assets, liabilities and transactions of the Company entities with functional currency other than the Indian Rupee are translated into Indian Rupee upon consolidation. The functional currency of the entities in the Company has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Indian Rupee at the closing rate at the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Indian Rupee at the closing rate. Income and expenses have been translated into Indian Rupee at the average rate over the reporting period. Exchange differences are charged/ credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to the statement of profit or loss and are recognized as part of the gain or loss on disposal.

k) Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expires, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- ➢ Amortised cost
- ➢ financial assets at fair value through profit or loss (FVTPL)

➢ financial assets at fair value through other comprehensive income (FVOCI)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the statement profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within 'other expenses'.

➢ Amortised cost

A financial asset shall be measured at amortised cost using effective interest rates if both of the following conditions are met:

a) financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Company's cash and cash equivalents, trade and certain other receivables fall into this category of financial instruments.

A loss allowance for expected credit losses is recognised on financial assets carried at amortised cost.

(i) **For debtors that are not past due –** Life time expected credit losses are assessed and accounted based on company's historical counterparty default rates and forecast of macro-economic factors, by dividing receivables that are not considered to be individually significant by reference to the segment of the counterparty and other shared credit risk characteristics to evaluate the expected credit loss. The expected credit loss estimate is then based on recent historical counterparty default rates for each identified segment.

(ii) **For debtors considered past due –** any enhancement in the accrual done for expected credit loss on individually significant receivables is made as follows –

- 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.
- For landline services – 100% provision is made for debtors outstanding for more than 3 years.
- For closed connections, provision is made in respect of outstanding for more than 3 years along with spill over amount for up to 3 years.
- For wireless services (GSM & CDMA) – 100% provision is made for debtors outstanding for more than 180 days.

➢ *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets that either do not meet the criteria for amortised cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in the statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

➢ *Financial assets at FVOCI*

FVOCI financial assets are either debt instruments that are managed under hold to collect and sell business model or are non-trading equity instruments that are designated to this category.FVOCI financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within FVOCI reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in the statement of profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated as FVTPL, that are carried subsequently at fair value with gains or losses recognised in the statement of profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and are included within finance costs or finance income.

l) Income taxes

Tax expense recognised in the statement of profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961 and in the overseas branches/companies as per the respective tax laws.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax asset ('DTA') is recognized for all deductible temporary differences, carry forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilised or to the extent of taxable temporary differences.

In respect of deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Minimum Alternate Tax (MAT) credit is recognised, 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 recognised as an asset, the said asset is created by way of a credit to the standalone statement of profit and loss and classified under 'deferred tax asset'.

m) Impairment testing of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

For intangible assets with indefinite useful life that are tested at least annually. For other 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 standalone 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, which is the higher of fair value less costs of disposal and value-in-use and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows.The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of future re-organisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risks factors.

n) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Company and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized 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 or the amount cannot be estimated reliably.

Contingent assets are not recognised. However, when inflow of economic benefit is probable, related asset is disclosed.

o) Government grants

Government grants are recognised if it is sufficiently certain that the assistance will be granted and the conditions attached to assistance are satisfied. Where the grant relates to specified asset, it is recognised as deferred income, and amortized over the expected useful life of the asset. Other grants are recognised in the standalone statement of comprehensive income concurrent to the expenses to which such grants relate/ are intended to cover.

Where the Company receives non-monetary grants, the asset and the grant are recorded gross at fair amounts and released to the standalone statement of profit and loss over the expected useful life and pattern of consumption of the benefit of the underlying asset.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments(original maturity less than 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

q) Adjustment pertaining to Earlier Years

Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure individual transaction not exceeding Rs.1.00 Lakh are treated as income/ expenditure of current year.In respect of Other Income/Expenditure relating to a prior period, which do not exceed 0.5% of Turnover in each case, are treated as income/expenditure of current year.

r) Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with issuing of shares are deducted from share premium account, net of any related income tax benefits.

Other components of equity include the following:

- Re-measurement of defined benefit liability – comprises the actuarial gain or loss from changes in demographic and financial assumptions and return on plan assets
- Reserve for contingencies
- Reserve for research and development
- Reserve for debenture redemption
- General reserve
- Other transactions recorded directly in other comprehensive income.

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

Standard issued but not yet effective:

i. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from 1 April 2018. The effect on adoption of Ind AS 115 is expected to be insignificant.

ii. Ind AS 115- Revenue from Contract with Customers:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard 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. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors;
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach) The effective date for adoption of Ind AS 115 is financial

periods beginning on or after 1 April 2018.

- The effective date for adoption of Ind-AS 115 is financial period beginning on or after 1 April, 2018. The Company is evaluating the requirement of this new standard and their impact on the financial statements.

Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Company's standalone financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Company that have significant effect on the financial statements.

Recognition of deferred tax assets - The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Company's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Recognition of deferred tax liability on undistributed profits – The extent to which the Company can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries, associate and joint venture requires judgement.

Evaluation of indicators for impairment of assets – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Classification of leases – The Company enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.

Arrangements containing lease - The Company applies Appendix C of Ind AS 17 'Leases', "Determining whether an arrangement contains a lease", to contracts entered with telecom operators/passive infrastructure services providers to share tower infrastructure services. Appendix C deals with the method of identifying and recognising service, purchase and sale contracts that do not take the legal form of a lease but convey a right to use an asset in return for a payment or series of payments.

The Company has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of operating leases.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Asset retirement obligations (ARO) - In measuring the provision for ARO the Company uses technical estimates to determine the expected cost to dismantle and remove the infrastructure equipment from the site and the expected timing of these costs. Discount rates are determined based on the government bond rate of a similar period as the liability.

Activation and installation fees -The Company receives activation and installation fees from new customers. These fees together with directly attributable costs are amortised over the estimated duration of customer relationship period. The customer relationship period is reviewed periodically. The estimated relationship periodprincipally reflects management's view of the average economic relationship periodof the customer base and is assessed by reference to key performance indicators (KPIs) which are linked to establishment/ ascertainment of customer relationship period. A change in such KPIs may lead to a change in the estimated useful life and an increase/ decrease in the amortisation income/charge. The Company believes that the change in such KPIs will not have any material effect on the financial statements.

Recoverability of advances/receivables – At each balance sheet date, based on discussions with the respective counter-parties and internal assessment of their credit worthiness, the management assesses the recoverability of outstanding receivables and advances. Such assessment requires significant management judgement based on financial position of the counter-parties, market information and other relevant factor.

Classification of assets and liabilities into current and non-current – The management classifies the assets and liabilities into current and non-current categories based on management's expectation of the timing of realisation of the assets or timing of contractual settlement of liabilities.

Impairment of assets - In assessing impairment, management estimates the recoverable amounts of each asset or cash-generating unit (in case of non-financial assets) based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future cash flows and the determination of a suitable discount rate

Useful lives of depreciable/amortisable assets (tangible and intangible) - Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Inventories – Management estimates the cost of inventories including cost of materials and overheads considered attributable to the production of such inventories, taking into account the most reliable evidence available including actual cost of production, etc. Management also estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Defined benefit obligation (DBO) - Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses

Fair value measurements - Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date

MAHANAGAR TELEPHONE NIGAM LIMITED

Notes to the Standalone Financial Statements for the year ended 31 March 2018

4. PROPERTY, PLANT AND EQUIPMENT

(₹ in crores)

Description	Freehold land	Leasehold land	Buildings	Leased premises	Lines & wires	Cables	Apparatus & plant	Furniture & fixtures	Computers	Vehicle	Office machinery & equipment	Electrical appliances	Asset scrapped/ decommis-sioned	Total
Gross carrying value														
As at 01 April 2016	18.73	357.06	1,819.43	6.53	160.76	7,712.73	9,762.35	153.85	309.71	27.04	35.92	151.63	5.16	20,520.91
Additions	-	1.92	23.00	-	7.09	34.87	153.96	0.10	1.26	0.27	1.73	0.18	0.83	225.21
Adjustments^	(0.01)	1.69	(8.68)	-	(7.38)	(7.90)	(87.52)	(0.01)	(0.32)	(1.93)	(0.13)	(0.05)	42.39	(69.85)
Disposals	-	-	-	-	-	-	(0.46)	-	-	-	-	-	-	(0.46)
As at 31 March 2017	18.72	360.67	1,833.75	6.53	160.46	7,739.70	9,828.34	153.94	310.65	25.38	37.52	151.76	48.38	20,675.81
Additions	**-**	**0.72**	**34.13**	**-**	**6.27**	**94.10**	**369.48**	**2.87**	**2.02**	**0.42**	**0.43**	**3.11**	**0.81**	**514.35**
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(0.43)	(0.43)
Adjustments^	0.08	1.90	27.90	-	(1.61)	(35.92)	(77.92)	(0.01)	(0.21)	(2.57)	(0.13)	(0.33)	(3.97)	(92.80)
Disposals	-	-	-	-	-	-	(0.89)	-	-	(0.03)	-	-	-	(0.92)
As at 31 March 2018	**18.79**	**363.29**	**1,895.78**	**6.53**	**165.13**	**7,797.88**	**10,119.00**	**156.80**	**312.46**	**23.20**	**37.82**	**154.53**	**44.80**	**21,096.01**
Accumulated depreciation														
As at 01 April 2016	-	62.70	842.79	1.73	90.25	6,227.13	7,363.25	138.37	279.56	24.78	33.98	135.37	-	15,199.91
Charge for the year	-	3.79	82.51	0.14	5.36	165.98	466.65	3.47	13.39	0.31	1.69	2.72	-	746.00
Adjustments^	-	(0.74)	4.48	-	(1.87)	(27.96)	(50.63)	(0.01)	(0.05)	(1.58)	(0.07)	0.01	-	(78.42)
As at 31 March 2017	**-**	**65.75**	**929.78**	**1.87**	**93.75**	**6,365.15**	**7,779.26**	**141.83**	**292.90**	**23.50**	**35.59**	**138.10**	**-**	**15,867.49**
Charge for the year	-	3.82	79.40	0.14	5.20	150.26	444.38	2.72	1.46	0.29	0.23	2.67	-	690.56
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(0.40)	(0.40)
Adjustments^	-	0.42	11.68	-	0.01	(4.16)	(42.32)	(0.01)	(0.20)	(2.19)	(0.11)	(0.31)	0.40	(36.78)
As at 31 March 2018	**-**	**69.98**	**1,020.85**	**2.01**	**98.96**	**6,511.26**	**8,181.32**	**144.54**	**294.16**	**21.60**	**35.71**	**140.46**	**-**	**16,520.86**
Net block as at 01 April 2016	18.73	294.35	976.65	4.80	70.50	1,485.60	2,399.11	15.48	30.15	2.26	1.95	16.26	5.16	5,321.00
Net block as at 31 March 2017	18.72	294.92	903.97	4.66	66.71	1,374.55	2,049.08	12.12	17.75	1.87	1.93	13.65	48.38	4,808.32
Net block as at 31 March 2018	18.79	293.30	874.92	4.52	66.16	1,286.62	1,937.68	12.26	18.30	1.60	2.11	14.08	44.80	4,575.15

^Adjustments includes transfer to/from investment properties.

Notes:

(i) Contractual obligations

Refer note 49 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Finance leases

Refer note 50(B) for information on property, plant and equipment taken on finance lease.

(iii) Depreciation for the year has been included in line item 'Depreciation and amortisation expense' in statement of profit and loss.

(iv) Additions during the year include adjustments on account of value difference, spill over cost etc. identified during the year in respect of existing property, plant and equipment.

5. CAPITAL WORK-IN-PROGRESS

(₹ in crores)

	31 March 2018	31 March 2017
Buildings	21.46	9.60
Apparatus & plants	207.82	145.38
Lines & wires	1.71	1.46
Cables	36.97	50.92
Subscribers' installations	5.99	22.17
Air conditioning plants	15.35	10.37
Others	97.81	86.13
	387.12	**326.03**
Less: provision for :		
Abandoned work	(14.15)	(2.86)
Others	(41.98)	(31.83)
	330.98	**291.34**

Movement in capital work in progress:

(₹ in crores)

Particulars	
Capital work-in-progress as at 01 April 2016	136.87
Add: additions during the year	372.42
Less: capitalisation during the year	(223.74)
Less: reversal/(provision) for abandoned work	5.79
Capital work-in-progress as at 31 March 2017	**291.34**
Add: additions during the year	526.13
Less: capitalisation during the year	(465.05)
Less: reversal/(provision) for abandoned work	(21.44)
Capital work-in-progress as at 31 March 2018	330.98

Notes:

(i) Capitalised borrowing cost
The borrowing costs capitalised during the year ended 31 March 2018 was ₹ 6.53 crores (31 March 2017 ₹ 0.10 crores).
(ii) Contractual obligations
Refer note 49 for disclosure of contractual commitments.
(iii) Nature of expenses capitalised during the year

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Salaries and other employee costs	194.29	162.93
Finance cost	6.53	0.10
Administrative costs	0.01	25.07
Total	**200.83**	**188.10**

6. INVESTMENT PROPERTY

(₹ in crores)

Description	Gross block				Accumulated depreciation				Net block	Net block
	01 April 2016	Additions	Disposals/ Adjustments	31 March 2017	01 April 2016	Charge	Disposals/ adjustments^	31 March 2017	31 March 2017	01 April 2016
Freehold land	0.32	-	0.01	0.33	-	-	-	-	0.33	0.32
Leasehold land	8.11	-	2.21	10.32	1.74	0.12	0.72	2.58	7.75	6.38
Buildings	53.53	-	8.90	62.43	20.65	1.62	1.73	24.00	38.44	32.88
Total	**61.97**	**-**	**11.12**	**73.09**	**22.38**	**1.74**	**2.45**	**26.57**	**46.52**	**39.59**

(₹ in crores)

Description	Gross block				Accumulated depreciation				Net block	Net block
	01 April 2017	Additions	Disposals/ Adjustments	31 March 2018	01 April 2017	Charge	Disposals/ adjustments^	31 March 2018	31 March 2018	01 April 2017
Freehold land	0.33	-	(0.08)	0.25	-	-	-	-	0.25	0.33
Leasehold land	10.32	-	(1.90)	8.43	2.58	0.10	(0.42)	2.26	6.17	7.75
Buildings	62.43	-	(29.54)	32.90	24.00	0.95	(11.19)	13.75	19.15	38.44
Total	**73.09**	**-**	**(31.51)**	**41.58**	**26.57**	**1.05**	**(11.61)**	**16.01**	**25.57**	**46.52**

^Disposals/adjustments includes transfer from/to property, plant and equipment.

(i) Amount recognised in profit and loss for investment properties

(₹ in crores)

	31 March 2018	31 March 2017
Rental income	182.43	145.78
Direct operating expenses that generated rental income*	-	-
Direct operating expenses that did not generate rental income*	-	-
Profit from leasing of investment property	182.43	145.78

*Direct operating expenses attributable to investment property cannot be specifically identified with properties, although management does not expect them to be material.

(ii) Leasing arrangements

Certain investment properties are leased to tenants under long-term operating leases with rentals payable monthly. However all the leases are cancellable at the option of lessee, hence there is no lease disclosure given, as required by Ind AS 17 "Leases".

(iii) Fair value of investment property

(₹ in crores)

Particulars	31 March 2018	31 March 2017	
Fair value	2,137.62	1,844.22	

The Company reviews fair values annually. The following factors have been considered for determination of fair value -

(a) Leasehold properties - These land properties have been allotted to MTNL on perpetual lease from the government for carrying out operations in normal course of business. The Company constantly reviews the utilisation of its facilities and any surplus properties are considered for letting out to earn rental income. Being leasehold properties, the Company is restricted from selling them in an active market, however, such properties can be converted into freehold properties at circle rates at which the government (or other bodies representing the government) would sell such properties in an active market. This is considered to be representative of the fair value of properties as at reporting date.

(b) Freehold land - The circle rates are considered to be a fair representation at which such properties can be sold in an active market.

(c) Buildings - In case of constructed building, cost of construction adjusted with the present day price index has been taken as the basis of valuation. Necessary depreciation for age and life of the structure has been taken into account.

(iv) The Company has certain properties in Mumbai which were intended held primarily for letting out having gross block of ₹ 34.79 crores and accumulated depreciation ₹ 11.61 crores. However, till suitable tenants are found, such properties were temporarily deployed for own use by the Company. Such properties were classified as investment properties till previous year. In the current year, the management reexamined the situation and with their requirement for own use, such properties are no more planned to be let out. Therefore, such properties with their gross block and accumulated depreciation have been moved from investment properties to property, plant and equipment as at 31 March 2018.

7. INTANGIBLE ASSETS

(₹ in crores)

	Softwares	One time spectrum fees	Total
Gross carrying value			
At 01 April 2016	133.25	6,564.00	6,697.25
Additions	-	-	-
Balance as at 31 March 2017	**133.25**	**6,564.00**	**6,697.25**
Additions	-	-	-
Disposals/adjustments	-	-	-
Balance as at 31 March 2018	**133.25**	**6,564.00**	**6,697.25**
Accumulated amortisation			
At 01 April 2016	70.41	2,509.84	2,580.25
Amortisation charge for the year	11.69	328.20	339.89
Adjustments	-	0.42	0.42
Balance as at 31 March 2017	**82.11**	**2,838.45**	**2,920.56**
Amortisation charge for the year	8.87	328.20	337.07
Adjustments	0.35	-	0.35
Balance as at 31 March 2018	**91.33**	**3,166.65**	**3,257.98**
Net book value as at 01 April 2016	**62.83**	**4,054.16**	**4,117.00**
Net book value as at 31 March 2017	**51.14**	**3,725.55**	**3,776.69**
Net book value as at 31 March 2018	**41.92**	**3,397.35**	**3,439.27**

Notes:

(i) Contractual obligations

Refer note 49 for disclosure of contractual commitments for the acquisition of intangible assets.

(ii) Amortisation for the year has been included in line item 'Depreciation and amortisation expense' in statement of profit and loss.

(iii) There was no expenditure incurred on research and development during the current and comparative year.

8. NON-CURRENT INVESTMENTS

(₹ in crores)

	Number of shares		Amount	
	31 March 2018	**31 March 2017**	**31 March 2018**	**31 March 2017**
In equity instruments				
In subsidiaries (unquoted)				
Millenium Telecom Limited (face value ₹ 10 each fully paid up)	2,875,880	2,875,880	2.88	2.88
Mahanagar Telephone Mauritius Limited	572,264,029	572,264,029	100.97	100.97
Sub total (A)			**103.85**	**103.85**
In Joint ventures (unquoted)				
MTNL STPI IT Services Limited (face value of ₹ 10 each fully paid up)	2,282,000	2,282,000	2.28	2.28
Sub total (B)			**2.28**	**2.28**
In Associates (unquoted)				
United Telecom Limited (face value of Nepali ₹ 100 (₹ 62.50) each fully paid up) (refer note (b) below)	-	5,736,200	-	35.85
Sub total (C)			**-**	**35.85**
Total non-current investments (A+B+C)			**106.13**	**141.98**
Aggregate amount of unquoted investments			106.13	141.98

Notes:

(a) Investments in subsidiaries, associates and joint venture are stated at cost as per Ind AS 27 'Separate Financial Statements'.

"(b) As per article 12.19 (b) of Shareholders' agreement together with para 27 of the amendatory agreement (together referred to as 'amended agreement') entered into between MTNL, TCIL, TCL and NVPL (Nepal), together referred to as 'Investors' pursuant to their investment in United Telecom Limited ('UTL'), in case NVPL (the local partner in Nepal) decides to sell its stake to any third party, it requires prior consent of other Investors. Further, at such time, per exit clause in the agreement, any of the other Investors other than NVPL can exit the arrangement after 2 years from the amended agreement by issuing 3 month's notice. Pursuant to this exit clause, the Company has issued notice to UTL on 30 January, 2018 for making an exit. The notice is valid uptil 30 April 2018 and subsequent to 30 April 2018, the local partner has sought time extension of another 3 months i.e. till 30 July, 2018 for giving effect to the exit requested by the Company. Accordingly, such investment has been classified as 'held for sale' in the financial statements for year ended 31 March 2018. Refer note 21 for details."

9. LOANS

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Secured, considered good		
Loan to employees	22.80	31.94
Unsecured, considered good		
Security deposits with other departments	120.98	115.50
Receivable from DoT	1,149.58	1,885.38
Receivable from BSNL	359.75	650.91
Unsecured, considered doubtful		
Security deposits with other departments	4.94	8.99
Receivable from DoT	1.39	1.39
Receivable from BSNL	6.22	6.22
	1,665.66	**2,700.32**
Less: Allowance for doubtful loans	**(12.55)**	**(16.60)**
	1,653.12	**2,683.72**

Notes:

(i) No loans are due from director or other officers of the Company either severally or jointly with any other person. Further, no loans are due from firms or private companies respectively in which any director is partner, director or a member.

(ii) Refer note 43 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost and note 44 - Financial risk management for assessment of expected credit losses.

(iii) For details on settlement of receivable from BSNL, refer note 63

(iv) For details on settlement of receivable from DoT, refer note 68

10. OTHER FINANCIAL ASSETS

	31 March 2018	31 March 2017
	Non-current	Non-current
Bank deposits with more than 12 months maturity	10.81	10.55
	10.81	**10.55**

(i) ₹ 10.81 crores (31 March 2017 - ₹ 10.55 crores) representing deposits with original maturity of more than twelve months, held by the entity that are not available for use by the Company, as these are pledged with the banks for issuing bank guarantees to third parties.

(ii) Refer note 43 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost and note 44 - Financial risk management for assessment of expected credit losses

11. INCOME TAX ASSETS (NET)

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Advance income tax (net of provision)	714.82	649.05
	714.82	**649.05**

12. OTHER NON-CURRENT ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
Capital advances	1.57	1.57
Advance against future settlements towards DoT	351.98	295.12
Balances with statutory authorities	3.37	4.84
Prepaid expenses	12.40	19.83
	369.33	**321.37**

13. INVENTORIES

(₹ in crores)

	31 March 2018	31 March 2017
(Valued at cost, unless otherwise stated)		
Exchange equipments	28.87	26.46
Mobile handsets & sim cards	2.34	2.38
WLL equipments	0.08	0.08
Telephones & telex spares	0.09	0.09
Goods in transit	-	1.65
	31.38	**30.66**
Less : Provision for obsolete stores	**(6.77)**	**(15.59)**
	24.61	**15.07**

14. CURRENT INVESTMENTS

(₹ in crores)

	Number of shares		Amount	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
In preference shares (₹ 100 each fully paid up)				
8.75% unquoted preference shares in M/s. ITI Limited*	1,00,00,000	1,00,00,000	100.00	100.00
Less : Provision for doubtful investments			(100.00)	(100.00)
			-	-
Total current investments				

*Receivable in 5 equal instalments, all instalments of ₹ 20 crore each were due in 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 but still not received. Refer note 59 for further details.

15. TRADE RECEIVABLES

(₹ in crores)

	31 March 2018	31 March 2017
Trade receivables		
- Unsecured, considered good	334.84	391.53
- Unsecured, considered doubtful	808.19	781.81
Unbilled receivables	144.29	165.23
	1,287.32	**1,338.57**
Less: Allowance for doubtful debts		
Unsecured considered good (expected credit loss)	(54.86)	(65.18)
Unsecured considered doubtful	(808.19)	(781.81)
	424.27	**491.58**

Notes:

(i) Trade receivables have been pledged as security for liabilities, for details refer note 53.

(ii) No trade or other receivable are due from director or other officers of the Company either severally or jointly with any other person. Further, no trade or other receivables are due from firms or private companies respectively in which any director is partner, director or a member.

(iii) Trade receivables are secured to the extent of security deposits received from customers, with contractual amounts as at 31 March 2018 of ₹ 51.47 crores (31 March 2017 - ₹ 76.12 crores) and related amortised cost as at 31 March 2018 of ₹ 27.39 crores (31 March 2017 - ₹ 31.06 crores).

(iv) The carrying values of trade receivables are considered to be a reasonable approximation of fair values.

16. CASH AND CASH EQUIVALENTS

(₹ in crores)

	31 March 2018	31 March 2017
Balances with banks in current accounts	54.00	77.26
Cheques, drafts in hand	0.66	1.55
Cash on hand	0.27	0.32
Bank deposits with original maturity of less than 3 months	-	8.42
Less: provision for doubtful bank balances	(0.56)	(0.56)
	54.37	**87.00**

Notes:

(i) ₹ 0.01 crores (31 March 2017 - ₹ 8.42 crores) representing deposits with original maturity of less than three months, held by the entity that are not available for use by the Company, as these are pledged with the banks for issuing bank guarantees to third parties.

(ii) Other than as disclosed, there are no repatriation restrictions with respect to cash and cash equivalents as at the end of the reporting period and previous period.

(iii) The carrying values are a reasonable approximate of their fair values.

17. OTHER BANK BALANCES

(₹ in crores)

	31 March 2018	31 March 2017
Bank deposits maturity for more than 3 months but less than 12 months	11.41	0.60
	11.41	**0.60**

(i) ₹ 11.39 crores (31 March 2017 - ₹ 0.60 crores) representing deposits with original maturity of more than three months but less than twelve months, held by the entity that are not available for use by the Company, as these are pledged with the banks for issuing bank guarantees to third parties.

(ii) The carrying values are a reasonable approximate of their fair values.

18. LOANS

(₹ in crores)

	31 March 2018	31 March 2017
	Current	Current
Secured, considered good		
Loan to employees	14.43	21.98
Unsecured, considered good	-	-
Loan to employees	1.91	1.34
Security deposits with other departments	21.07	22.62
Receivable from related parties	0.48	0.47
Receivable from BSNL	2,916.48	2,765.45
Unsecured, considered doubtful		
Loan to employees	0.01	0.01
	2,954.38	**2,811.88**
Less: Allowance for doubtful loans	(0.01)	(0.01)
	2,954.37	**2,811.87**

Notes:

(i) Refer note 43 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost.

(ii) For details on settlement of receivable from related parties refer note 47.

(iii) For details on settlement of receivable from BSNL, refer note 63.

19. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
	Current	Current
Amount recoverable		
IUC operators	233.91	262.85
Others	760.44	693.92
	994.35	**956.77**
Less: provision for doubtful receivables	(107.69)	(113.05)
	886.66	**843.72**

Refer note 43 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost.

20. OTHER CURRENT ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
Advances to suppliers	23.84	26.65
Advance against future settlements towards DoT	431.16	431.77
Balances with statutory authorities	120.91	145.59
Prepaid expenses	55.76	78.11
Other recoverables	1.19	1.40
	632.86	**683.52**

21. ASSETS HELD FOR SALE

(₹ in crores)

	31 March 2018	31 March 2017
Property, plant and equipment (refer note (a))	0.09	0.06
Investments in United Telecom Limited (refer note (b))	35.85	-
	35.94	**0.06**

Notes:

(a) In respect of assets classified as held for sale in previous year ended 31 March 2017, the Company was in the process to sell switches and BTS-batteries originally acquired for GSM Services in Mumbai in earlier years. A tender was floated for auction of the asset held for sale, which failed due to technical reasons that was not originally envisaged. Another tender was under process for auction of the asset at the year ending 31 March 2018 and favourable resolution is expected. Therefore, such assets continue to be classified as held for sale.

Non-recurring fair value measurements

Asset classified as held for sale was measured at the lower of its carrying amount and fair value less costs to sell at the time of re-classification, resulting in the recognition of a write down of 0.45 crores as impairment loss in the statement of profit and loss.

“(b) As per article 12.19 (b) of Shareholders’ agreement together with para 27 of the amendatory agreement (together referred to as ‘amended agreement’) entered into between MTNL, TCIL, TCL and NVPL (Nepal), together referred to as ‘Investors’ pursuant to their investment in United Telecom Limited (‘UTL’), in case NVPL (the local partner in Nepal) decides to sell its stake to any third party, it requires prior consent of other Investors. Further, at such time, per exit clause in the agreement, any of the other Investors other than NVPL can exit the arrangement after 2 years from the amended agreement by issuing 3 month’s notice. Pursuant to this exit clause, the Company has issued notice to UTL on 30 January, 2018 for making an exit. The notice is valid uptil 30 April 2018 and subsequent to 30 April 2018, the local partner has sought time extension of another 3 months i.e. till 30 July, 2018 for giving effect to the exit requested by the Company. Accordingly, such investment has been classified as ‘held for sale’ in the financial statements for year ended 31 March 2018.“

Non-recurring fair value measurements

The recoverable amount is expected to be higher than the carrying value of such investment and therefore, no further loss required to be recognised upon classification of such investment as ‘held for sale’.

22. EQUITY SHARE CAPITAL

	31 March 2018	31 March 2017
	(₹ in crores)	
Authorised capital		
800,000,000 (previous year 800,000,000) equity shares of ₹ 10 each	800.00	800.00
	800.00	**800.00**
Issued, subscribed capital and fully paid up		
630,000,000 (previous year 630,000,000) equity shares of ₹ 10 each fully paid up	630.00	630.00
	630.00	**630.00**

a) Reconciliation of equity shares outstanding at the beginning and at the end of the year.

	31 March 2018		31 March 2017	
	No. of shares	(₹ in crores)	No. of shares	(₹ in crores)
Equity shares at the beginning of the year	63,00,00,000	630.00	63,00,00,000	630.00
Increase/ decrease during the year	-	-	-	-
Equity shares at the end of the year	**63,00,00,000**	**630.00**	**63,00,00,000**	**630.00**

b) Rights/preferences/restrictions attached to equity shares

The company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Details of shareholders holding more than 5% shares in the Company

	As on 31 March 2018		As on 31 March 2017	
	No. of shares	% holding	No. of shares	% holding
Equity shares of ₹ 10 each fully paid up				
President of India	354,378,740	56.25	354,378,740	56.25
LIC including LIC Fortune Plus secured Fund	118,515,213	18.81	118,515,213	18.81

d) There are no shares issued for consideration other than cash and no shares have been bought back in last five years.

e) There are no shares reserved for issue under options or other purpose.

23. OTHER EQUITY

	31 March 2018	31 March 2017
	(₹ in crores)	
Retained earnings		
As per last balance sheet	(4,945.69)	(2,107.10)
Add : Net profit/ (loss) for the year	(2,973.03)	(2,941.08)
Add: Remeasurements of employee benefit obligations	2.38	-
Add: Transfer from other comprehensive income	(35.32)	-
Add: Transfer from contingency reserve	-	102.49
	(7,951.65)	**(4,945.69)**
Other reserve		
Debenture redemption reserve		
Securities premium account	**45.27**	**45.27**
Research and development reserve	**665.00**	**665.00**
	30.80	**30.80**
Contingency reserve		
As per last balance sheet	243.22	345.72
Les: Tranfer to retained earnings	-	(102.49)

	31 March 2018	31 March 2017
	243.22	**243.22**
Other comprehensive income reserve		
As per last balance sheet	(35.32)	(5.82)
Transfer of remeasurement of employee benefit obligations to retained earnings	35.32	(29.49)
	-	**(35.32)**
	984.30	**948.98**

Nature and purpose of other reserves

(i) Debenture redemption reserve

The Company is required to create a debenture redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

(ii) Securities premium reserve

Securities premium reserve represents premium received on issue of shares. The reserve can be utilised in accordance with the provisions of the Companies Act.

(iii) Contingency reserve

The Company created this reserve for unforeseen tax demands/disallowances by Income tax department under section 80IA of the Income Tax Act, 1961.

(ii) Other Comprehensive Income(OCI)

The Company has recognised remeasurements benefits on defined benefits plans through Other comprehensive income

24. BORROWINGS

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	**Non-current**
Secured		
Term loans (net of current maturities)		
From banks	7,274.04	3,992.98
Finance lease obligations		
Obligations under finance leases	40.56	40.57
	7,314.60	**4,033.55**
Unsecured		
Debentures		
Debentures - Series 4D	-	-
[22,689 number of 8.29% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 4C	-	-
[7 number of 8.24% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 4B	-	-
[1,000 number of 8.28% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 4A	-	-
[14,000 number of 8.24% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 3A	-	-
[7650 number of 9.39% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 2A*	1,973.73	1,973.51
[19,750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]		
Debentures - Series 1A*	1,004.37	1,004.25
[10,050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]		
	2,978.11	2,977.76
	10,292.71	**7,011.31**

Amount disclosed under other financial liabilities:		
Current maturities of long-term debt	340.00	275.00
Current maturities of finance lease obligations	4.65	4.64
Interest accrued	61.97	70.08

Notes:

(i) No loans have been guaranteed by the directors and others.

(ii) There is no default as on the balance sheet date in the repayment of borrowings and interest thereon.

(iii) These facilities are securred by floating first pari passu charge on all movable fixed assets (classified under property plant and equipment) and current assets. Further, for securing the above term loans letter of comfort was issued by DoT. For repayment terms of the outstanding long-term borrowings (including current maturities) refer the table below:

(a) AS ON 31 MARCH 2018:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
Indian Overseas Bank	220.00	"Repayable in 2 instalments spread on:- July 2018 - ₹ 150 Crores January 2019- ₹ 70 Crores"	8.55%
State Bank of India	1,800.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 45 Crores/quarter (8 instalments) From March 2021 to December 2021, ₹ 90 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 135 Crores/quarter (8 instalments)"	8.49%
Union Bank of India	2,000.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020, ₹ 50 Crore/quarter (8 instalments) From March 2021 to December 2021, ₹ 100 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 150 Crores/quarter (8 instalments)"	8.20%
Andhra Bank	1,000.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 25 Crores/ quarter (8 instalments) From June 2021 to March 2022 - ₹ 50 Crores/ quarter (4 instalments) From March 2022 to December 2023 - ₹ 75 Crores/quarter (8 instalments)"	8.40%
Corporation Bank	1,000.00	"Repayment due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 25 Crores/quarter (8 instalments) From March 2021 to December 2021 - ₹ 50 Crores/quarter (4 instalments) From June 2022 to March 2024 - ₹ 75 Crores/ quarter (8 instalments)"	8.65%
Punjab & Sindh Bank	500.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 12.5 Crores/quarter (8 instalments) From June 2021 to March 2022 - ₹ 25 Crores/ quarter (4 instalments) From March 2022 to December 2023 - ₹ 37.5 Crores/quarter (8 instalments)"	8.75%

United Bank	300.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 7.5 Crores/quarter (8 instalments) From June 2021 to March 2022 - ₹ 15 Crores/ quarter (4 instalments) From March 2022 to December 2023 - ₹ 22.5 Crores/quarter (8 instalments)"	8.80%
Oriental Bank of Commerce	500.00	"Repayment due in 20 instalments spread on:- From Mar-20 to Dec 2021 - ₹ 12.5 Crores/ quarter (8 instalments) From Mar 2022 to Dec 2022 - ₹ 25 Crores/ quarter (4 instalments) From March 2023 to December 2024 - ₹ 37.5 Crores/quarter (8 instalments)"	8.35%
Punjab & Sindh Bank	200.00	"Repayment due in 20 instalments spread on:- From Jun-20 to Mar 2022 - ₹ 5 Crores/quarter (8 instalments) From Jun 2022 to Mar 2023 - ₹ 10 Crores/ quarter (4 instalments) From Jun 2023 to Mar 2025 - ₹ 15 Crores/ quarter (8 instalments)"	8.40%
Bank of India	100.00	"Repayment due in 20 instalments spread on:- From Apr-20 to Jan 2022 - ₹ 2.5 Crores/ quarter (8 instalments) From Apr 2022 to Jan 2023 - ₹ 5 Crores/ quarter (4 instalments) From Apr 2023 to Jan 2025 - ₹ 7.5 Crores/ quarter (8 instalments)"	8.30%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	(5.96)		
Less: Current maturities of long term debt	(340.00)		
Long term borrowings	**7,274.04**		

Rate of interest. The Company's total borrowings from banks and others have a effective weighted average rate of 8.53% per annum calculated using the interest rate effective as on 31 March 2018.

(b) AS ON 31 MARCH 2017:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
Indian Overseas Bank	495.00	"Repayable in 4 instalments spread on:- July 2017 - ₹ 125 Crores January 2018 - ₹ 150 Crores July 2018 - ₹ 150 Crores January 2019- ₹ 70 Crores"	8.65%
State Bank of India	1,000.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 25 Crores/quarter (8 instalments) From March 2021 to December 2021, ₹ 50 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 75 Crores/quarter (8 instalments)"	8.34%
Union Bank of India	1,675.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020, ₹ 41.875 Crore/quarter (8 instalments) From March 2021 to December 2021, ₹ 83.75 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 instalments)"	8.50%

Andhra Bank	850.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 21.25 Crores/quarter (8 instalments) From June 2021 to March 2022 - ₹ 42.50 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 instalments)"	8.65%
Corporation Bank	250.00	"Repayment due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 6.25 Crores/quarter (8 instalments) From March 2021 to December 2021 - ₹ 12.50 Crores/quarter (4 instalments) From June 2022 to March 2024 - ₹ 63.75 Crores/quarter (8 instalments)"	8.75%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate Less: Current maturities of long term debt	(2.02) (275.00)		
Long term borrowings	**3,992.98**		

***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 March 2023. The coupon payment frequency is semi annual interest payment. There was no instalment due as on the reporting 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 December 2023. The coupon payment frequency is semi annual interest payment. There was no instalment due as on the reporting date.

Rate of interest- The Company's total borrowings from banks and others have a effective weighted average rate of 9.99% per annum calculated using the interest rate effective as on 31 March 2017.

(iv) Government of India approved the financial support to the Company in the year 2014 and on surrender of Broadband Wireless Access (BWA) Spectrum by MTNL, upfront charges paid by the Company in the year 2011 for such spectrum amounting to ₹ 4,533.97 crores were agreed to be funded by way of issuance of debentures by the Company on behalf of Government of India (GOI) and for which GOI provided sovereign guarantee with attendant condition for repayment of principal on maturity as well as the interest payments through DOT. Accordingly, the Company does not have any liability towards repayment of principal and interest on the bonds issued and has been offset against the amount recoverable from DoT of equivalent amount.

(v) For details on repayment schedule of finance lease obligations, refer note 50(B).

(vi) Refer note 43 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

(vii) Reconciliation of financial liabilities arising from financing activities:

(₹ in crores)

Particulars	Finance lease obligations	Long term borrowings	Short-term borrowings	Total
Net debt as at 1 April 2017	**45.22**	**7,315.81**	**7,910.24**	**15,271.28**
Cash flows:				
- Proceeds	-	3,625.00	750.00	4,375.00
- Repayment	(5.16)	(275.00)	(2,278.15)	(2,558.31)
Interest expense	5.16	532.46	623.02	1,160.63
Interest paid	-	(544.16)	(623.02)	(1,167.18)
Net debt as at 31 March 2018	**45.21**	**10,654.11**	**6,382.10**	**17,081.43**

25. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Security deposits	133.65	160.39
Employee related payables - GPF of MTNL Optee	1,861.90	1,890.23
	1,995.55	**2,050.61**

Refer note 43 - Fair value disclosures for disclosure of fair value in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

26. LONG-TERM PROVISIONS

(₹ in crores)

	31 March 2018	31 March 2017
Provision for employee benefits		
Provision for leave encashment	931.36	957.17
Provision for pension	88.68	168.09
Provision for gratuity	16.15	21.95
Provision for asset retirement obligations	13.48	11.97
	1,049.67	**1,159.18**

(i) Information about individual provisions and significant estimates

(a) Provision for asset retirement obligations

The Company as part of its business installs wireless telecommunication towers and other equipments for facilitating telecommunication services to its customers and is under an obligation to decommission the tower and replenish the site at end of useful life of the tower and other equipment. For the purpose of same Appendix A to Ind AS 16, “Property, Plant and Equipment” states measurement of Property, plant and equipment to include initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Company has estimated the cost of dismantling based on independent bids received from open market and the same have been escalated using the expected inflation rate (6% per annum) and discounted at the rates prevailing at each period end date.

(b) For disclosures required related to provision for employee benefits, refer note 46- Employee benefit obligations

(ii) Movement in provision related to asset retirement obligations during the financial year: (₹ in crores)

	31 March 2018	31 March 2017
As at beginning of reporting period	**11.97**	**10.66**
Additions during the year	0.45	0.32
Amounts used during the year on account of dismantled towers	(0.17)	(0.19)
Increase in the discounted amount arising from the passage of time and effect of any change in discount rate	1.22	1.17
As at end of reporting period	**13.48**	**11.97**

27. OTHER NON-CURRENT LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
Deferred income	172.20	202.49
Deferred activation/ installation charges	21.50	25.33
	193.70	**227.83**

28. SHORT-TERM BORROWINGS

(₹ in crores)

	31 March 2018	31 March 2017
Unsecured		
From banks		
Cash credit from banks	5,632.09	6,010.24
Short term loans	750.00	1,900.00
	6,382.09	**7,910.24**

The carrying values of above are considered to be a reasonable approximation of their fair values.

29. TRADE PAYABLES

(₹ in crores)

	31 March 2018	31 March 2017
Due to micro and small enterprises (refer note 54)	-	-
Due to others	331.51	399.31
Other accrued liabilities	97.29	30.44
	428.80	**429.75**

The carrying values of above are considered to be a reasonable approximation of their fair values.

30. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
Current maturities of		
- Long-term debt	340.00	275.00
- Finance lease obligations	4.65	4.64
Interest accrued		
- Not due on bonds	60.33	60.33
- Not due on borrowings	1.64	9.75
- Not due on deposits	0.07	0.10
Security deposits	117.88	161.36
Due to employees	184.28	191.60
Amount payable to contractors other than goods and services	492.69	411.66
Amount payable to other operators	22.31	25.94
Other payables	111.60	118.42
	1,335.46	**1,258.80**

Refer note 43 - Fair value disclosures for disclosure of fair value in respect of financial liabilities measured at amortised cost.

31. OTHER CURRENT LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
Advances received	294.21	401.47
Statutory dues	265.84	246.82
Deferred income	25.56	27.20
Deferred activation/ installation charges	6.65	8.15
	592.26	**683.64**

32. SHORT-TERM PROVISIONS

(₹ in crores)

	31 March 2018	31 March 2017
Provision for employee benefits		
Provision for leave encashment - Company employees	182.03	159.93
Provision for leave encashment - Others	0.46	0.33
Provision for pension - Company employees	107.21	106.05
Provision for pension - Others	0.82	0.33
Provision for gratuity - Company employees	26.26	31.66
	316.78	**298.30**

For disclosures required related to provision for employee benefits, refer note 46- Employee benefit obligations

33. REVENUE FROM OPERATIONS

(₹ in crores)

	31 March 2018	31 March 2017
Fixed Telephone income		
Revenue - Telephone calls and other charges	237.08	381.42
Revenue - Fixed telephone monthly charges	511.34	556.01
Revenue - Telephone (Franchise services)	12.05	20.41
Revenue - Access calls and other charges	15.88	9.70
Revenue - Rent and junction charges	57.36	39.27
Revenue - Broadband	593.27	760.37
Revenue - ISDN call charges	22.95	33.85
Revenue - ISDN call rental	50.72	49.46
Enterprise business		
Revenue - Local circuits	313.23	304.50
Revenue - Long distance circuits	6.80	52.85
Mobile revenue		
Revenue - Activation charges	0.52	0.64
Revenue - Mobile rental and call charges	42.01	168.91
Revenue - Income from roaming	98.87	17.94
Revenue - Prepaid trump	80.40	111.78
Revenue - IUC income	39.11	184.14
Revenue - VAS	50.41	70.87
Others		
Revenue - Free phone services	72.85	69.16
Revenue - Internet	42.58	17.65
Revenue - Premium rate services	0.19	0.19
Revenue - Other services	18.94	-
Other operating revenues		
Other operating revenues - Surcharge on delayed payment	11.88	12.33
Other operating revenues - Revenue from enterprise business	88.24	8.23
Other operating revenues - Revenue from sale of goods	5.24	-
	2,371.91	**2,869.68**

34. OTHER INCOME

(₹ in crores)

	31 March 2018	31 March 2017
Interest on :		
Interest from bank	1.68	1.95
Interest on advance to employees	4.29	6.23
Other interest income	255.26	300.38
Interest on income tax refund	-	93.34
	261.23	**401.90**
Other income		
Sale of directories, pub. etc.	0.16	0.11
Gain on sale of property, plant and equipment (net)	-	1.24
Income from liquidated damages	9.01	6.95
Exchange variation (net)	0.04	(0.12)
Bad debts recovered	0.06	0.13
Credit balances written back	181.66	45.94

Rental on quarters/ hostels etc.	21.53	17.59
Rental income from properties	225.13	189.33
Miscellaneous income	45.70	19.72
	483.28	**280.88**
	744.51	**682.78**

35. LICENSE FEES EXPENSE

(₹ in crores)

	31 March 2018	31 March 2017
License fees expenses	164.29	228.95
Spectrum charges	18.25	41.13
	182.54	**270.08**

36. EMPLOYEE BENEFIT EXPENSE*

(₹ in crores)

	31 March 2018	31 March 2017
Salaries, wages allowances & other benefits	2,235.82	2,374.87
Medical expenses and allowances	96.03	90.49
Pension contribution		
(a) Company employees	106.98	116.70
(a) Others	2.01	1.36
Leave encashment		
(a) Company employees	111.04	146.31
(a) Others	1.29	0.94
Contribution to gratuity fund	21.90	12.00
Contribution to provident & other funds	64.63	67.49
Staff welfare expenses	0.40	0.57
	2,640.09	**2,810.75**
Less : Allocation to capital/CWIP	(194.29)	(162.93)
	2,445.79	**2,647.81**

For descriptive notes on disclosure of defined benefit obligation, refer note 46 - Employee benefit obligations.

37. FINANCE COSTS*

(₹ in crores)

	31 March 2018	31 March 2017
Interest on		
- term loans	538.99	242.64
- cash credit facility	510.50	677.16
- short-term loan facility	112.52	156.83
- bonds	272.74	276.13
- customer deposits	0.17	13.33
- others	47.30	52.68
Other finance costs		
- commitment fees	29.80	29.80
	1,512.02	**1,448.57**
Less : Allocation to CWIP	(6.53)	(0.10)
	1,505.49	**1,448.47**

38. DEPRECIATION AND AMORTISATION EXPENSE**

(₹ in crores)

	31 March 2018	31 March 2017
Depreciation on		
Property, plant and equipment	690.56	746.00
Investment properties	1.05	1.74
Amortisation on		
Intangible assets	337.07	339.89
	1,028.68	**1,087.63**

39. OTHER EXPENSES

(₹ in crores)

	31 March 2018	31 March 2017
Power, fuel and water	244.06	258.83
Rent	93.75	88.47
Repairs to buildings	33.05	31.30
Repairs to machinery	117.72	132.93
Repairs others	28.46	34.68
Insurance	5.20	5.46
Rates and taxes	55.73	65.24
Travelling and conveyance	0.58	0.60
Postage, telegram and telephones	8.46	8.46
Printing and stationery	5.52	6.29
Vehicle maintenance expenses	0.51	0.65
Vehicle running expenses	1.16	1.50
Vehicle hiring expenses	10.33	9.49
Advertisement and promotional expenses	2.21	2.35
Bad debts written off	22.73	26.83
Legal and professional expenses*	6.28	4.62
Seminar and training charges	0.40	1.16
Security service expenses	30.43	25.18
Loss on sale of property, plant and equipment (net)	1.44	6.05
Internet charges	13.07	14.81
Loss of assets	10.90	-
Provision for abandoned work- capital work-in-progress	13.05	-
Commission	4.35	16.99
Net loss on foreign currency transactions and translations	-	0.05
Provision for doubtful debts including discount	21.06	36.30
Provision for obsolete inventory	0.75	1.89
Provision for doubtful claims	6.39	20.63
Miscellaneous expenses	32.21	40.47
Less: Allocation to CWIP	(0.01)	(25.07)
	769.80	**816.14**

***Legal and professional expenses includes payments to auditor**

As Auditor:		
Audit fee	0.45	0.39
Tax audit fee	0.08	0.08
Certification and other services	0.21	0.20
For reimbursement of expenses	0.12	0.11
	0.85	**0.78**

40. TAX EXPENSE

	31 March 2018	31 March 2017
		(₹ in crores)
Current tax (including taxes earlier years)	-	(4.38)
Deferred tax	-	-
	-	(4.38)

The major components of income tax expense and the reconciliation of expense based on the domestic effective tax rate of at 34.608% and the reported tax expense in profit or loss are as follows:

	31 March 2018	31 March 2017
		(₹ in crores)
Accounting profit before income tax	**(2,963.47)**	**(2,945.46)**
At country's statutory income tax rate of 34.608% (31 March 2017: 34.608%)	(1,025.60)	(1,019.36)
Adjustments in respect of taxes earlier years	-	(4.31)
Difference in property, plant and equipment as per books and Income Tax Act, 1961	133.15	146.03
Non-deductible expenses for tax purposes	31.56	58.54
Employee benefits allowed on payment basis	(37.41)	8.77
Others	(1.58)	0.80
Deferred tax not created on losses for current year	899.88	809.54
	-	-

(i) MTNL has unabsorbed depreciation and brought forward business losses amounting to ₹ 11,234.61 crores as on 31 March 2018 on which no deferred tax asset has been recognised. Deferred tax asset shall be created in the year in which the Company will have reasonable certainty of future taxable income as required by Indian Accounting Standard 12 - “Income Taxes” as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

(ii) Details of year wise expiry are given below:

Particulars	Year of origination	Year of expiry	Amount
Brought forward losses	Assessment year 2013-14	Financial year 2021-22	1,057.11
Brought forward losses	Assessment year 2015-16	Financial year 2023-24	1,941.74
Brought forward losses	Assessment year 2016-17	Financial year 2024-25	1,042.33
Brought forward losses	Assessment year 2017-18	Financial year 2025-26	2,242.83
Unabsorbed depreciation	Multiple	Indefinite	4,950.60

41. OTHER COMPREHENSIVE INCOME

	31 March 2018	31 March 2017
		(₹ in crores)
(A) Items that will not be reclassified to profit or loss		
Re-measurement gains (losses) on defined benefit plans	2.38	(29.49)
Income tax effect	-	-
	2.38	(29.49)

42. EARNINGS PER EQUITY SHARE

The Company's Earnings Per Share ('EPS') is determined based on the net profit attributable to the shareholders' of the Company. Basic earnings per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the year including share options, except where the result would be anti-dilutive.

	31 March 2018	31 March 2017
		(₹ in crores)
Net loss attributable to equity shareholders		
Continuing operations	(2,973.45)	(2,941.08)
Discontinued operation	0.42	-

Net Loss attributable to equity holders of the Company	**(2,973.03)**	**(2,941.08)**
Loss per equity share for loss from continuing operations:		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	630,000,000	630,000,000
Basic and diluted loss per share (₹)	**(47.20)**	**(46.68)**
Earnings per equity share for profit from discontinued operations:		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	630,000,000	630,000,000
Basic and diluted earnings per share (₹)	**0.01**	**-**
Loss per equity share for loss from continuing and discontinued operations:		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	630,000,000	630,000,000
Basic and diluted loss per share (₹)	**(47.19)**	**(46.68)**

43. FAIR VALUE DISCLOSURES

I Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are divided into three Levels of a fair value hierarchy.The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

II. Financial assets and liabilities measured at fair value - recurring fair value measurements

III. Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows:

(₹ in crores)

Particulars	Level	31 March 2018		31 March 2017	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loans	Level 3	4,607.49	4,632.78	2,683.72	3,444.15
Other financial assets	Level 3	897.47	897.47	854.28	854.28
Total financial assets		**5,504.96**	**5,530.25**	**3,538.00**	**4,298.43**
Borrowings	Level 3	10,592.14	10,720.91	7,245.74	7,474.79
Finance lease obligations	Level 3	45.21	61.12	45.21	51.79
Other financial liabilities	Level 3	2,986.36	2,969.50	2,050.61	2,081.68
Total financial liabilities		**13,623.71**	**13,751.52**	**9,341.55**	**9,608.26**

The management assessed that cash and cash equivalents, other bank balances, trade receivables, other receivables, trade payables and short-term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) Long-term fixed-rate and variable-rate receivables are evaluated by the Company based on parameters such as interest rates, individual creditworthiness of the customer and other market risk factors. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

(ii) The fair values of the Company's interest-bearing borrowings, loans and receivables are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2018 was assessed to be insignificant.

44. FINANCIAL RISK MANAGEMENT

I Financial instruments by category

(₹ in crores)

Particulars	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments*	-	-	-	-	-	-
Loans	-	-	4,607.49	-	-	5,495.59
Other financial assets	-	-	897.47	-	-	854.28
Trade receivables	-	-	424.27	-	-	491.58
Cash and cash equivalents	-	-	54.37	-	-	87.00
Other bank balances	-	-	11.41	-	-	0.60
Total	**-**	**-**	**5,995.00**	**-**	**-**	**6,929.05**
Financial liabilities						
Borrowings	-	-	16,674.79	-	-	14,921.55
Trade payables	-	-	428.80	-	-	429.75
Other financial liabilities	-	-	3,331.01	-	-	3,309.41
Total	**-**	**-**	**20,434.60**	**-**	**-**	**18,660.71**

*Investments in subsidiaries, associate and joint venture are carried at cost per Ind AS 27 – Separate financial statements and therefore, not presented here.

ii Risk Management

The Company's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis	Bank deposits, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting	Forward contract/hedging, if required
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Negotiation of terms that reflect the market factors
Market risk - security price	Investments in equity securities	Sensitivity analysis	Company presently does not make any investments in equity shares, except for entities where it exercises control or joint control or significant influence.

The Company's risk management is carried out by a central treasury department (of the Company) under policies approved by the board of directors. The board of directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

A. Credit risk

"Credit risk is the risk that a counterparty fails to discharge an obligation to the company. The company is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, etc. The company's maximum exposure to credit risk is limited to the carrying amount of following types of financial assets.

- cash and cash equivalents,
- trade receivables,
- loans & receivables carried at amortised cost, and
- deposits with banks and financial institutions."

a. Credit risk management

The Company assesses and manages credit risk based on internal credit rating system, continuously monitoring defaults of customers and other counterparties, identified either individually or by the company, and incorporates this information into its credit risk controls. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

A: Low

B: Medium

C: High

Assets under credit risk – **(₹ in crores)**

Credit rating	Particulars	31 March 2018	31 March 2017
A: Low	Loans	4,607.49	5,495.59
	Other financial assets	886.66	843.72
	Bank deposits	22.22	19.58
	Cash and cash equivalents	54.37	78.57

B: Medium	Trade receivables	424.27	491.58
D: Doubtful	Trade receivables	863.05	847.35
	Investments	100.00	100.00
	Loans	12.55	16.61
	Other financial assets	107.69	113.05
	Cash and cash equivalents	0.56	0.56

Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

Trade receivables

Credit risk related to trade receivables are mitigated by taking bank guarantees from customers where credit risk is high.The Company closely monitors the credit-worthiness of the debtors through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. The Group assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred when amounts receivable become past due in each business segment as follows:

(i) Cellular: Six months past due

(i) Basic & other services: Three years past due

Other financial assets measured at amortised cost

Other financial assets measured at amortized cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system in place ensure the amounts are within defined limits.

b. Expected credit losses

The Company provides for expected credit losses based on the following:

Trade receivables

(i) The company recognizes lifetime expected credit losses on trade receivables using a simplified approach, wherein Company has defined percentage of provision by analysing historical trend of default relevant to each business segment based on the criteria defined above. And such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables (other than those where default criteria are met).

				(₹ in crores)
Particulars	**31 March 2018**		**31 March 2017**	
	Basic & other services	**Cellular**	**Basic & other services**	**Cellular**
Gross amount of sales	6,801.84	27.82	7,427.06	33.28
Expected loss rate	0.75%	14.88%	0.83%	10.86%
Expected credit loss(loss allowance provision)	50.72	4.14	61.56	3.62
Receivables due from customers where specific default has occurred	592.74	215.45	572.89	208.92

During the periods presented, the Company made no write-offs of trade receivables.

(ii) Reconciliation of loss allowance provision from beginning to end of reporting period:

	(₹ in crores)
Reconciliation of loss allowance	**Trade receivables**
Loss allowance on 01 April 2016	(791.61)
Add (Less): Changes in loss allowances due to Assets originated or purchased	(55.74)
Loss allowance on 31 March 2017	**(846.98)**
Add (Less): Changes in loss allowances due to Assets originated or purchased	16.07
Loss allowance on 31 March 2018	**(863.05)**

Other financial assets measured at amortised cost

Company provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses. Since this category includes loans and receivables of varied natures and purpose, there is no trend that the company can draws to apply consistently to entire population For such financial assets, the Company's policy is to provides for 12 month expected credit losses upon initial recognition and provides for lifetime expected credit losses upon significant increase in credit risk. The Company does not have any expected loss based impairment recognised on such assets considering their low credit risk nature, though incurred loss provisions are disclosed under each sub-category of such financial assets.

B. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Company maintains flexibility in funding by maintaining availability under committed facilities. Management monitors rolling forecasts of the Company's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Company takes into account the liquidity of the market in which the entity operates. In addition, the Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

(a) Financing arrangements

The Company had access to the following undrawn borrowing facilities at the end of the reporting period:

						(₹ in crores)
	31 March 2018			31 March 2017		
Paritculars	Total facility	Drawn	Undrawn	Total facility	Drawn	Undrawn
0-1 year	8,440.00	6,722.09	1,717.91	8,775.00	8,185.24	589.76
1-2 years	672.50	672.50	-	340.00	340.00	-
More than 2 years	6,607.50	6,607.50	-	3,655.00	3,655.00	-
Total	**15,720.00**	**14,002.09**	**1,717.91**	**12,770.00**	**12,180.24**	**589.76**

b) Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity Companyings based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(₹ in crores)

31 March 2018	Less than 1 year	1-3 year	3-5 year	More than 5 years	Total
Non-derivatives					
Long term borrowings (including bonds)	1,242.55	3,192.54	5,934.22	4,246.30	14,615.62
Finance lease obligations	5.16	10.32	10.32	380.78	406.58
Short term borrowings	6,382.09	-	-	-	6,382.09
Trade payable	428.80	-	-	-	428.80
Other financial liabilities	1,336.45	15.82	4.29	2,199.71	3,556.28
Total	**9,395.05**	**3,218.68**	**5,948.83**	**6,826.80**	**25,389.36**

(₹ in crores)

31 March 2017	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Non-derivatives					
Long term borrowings (including bonds)	817.90	1,699.37	2,176.61	5,309.32	10,003.20
Finance lease obligations	4.96	9.92	9.92	373.93	398.73
Short term borrowings	7,910.24	-	-	-	7,910.24
Trade payable	429.75	-	-	-	429.75
Other financial liabilities	1,258.80	-	-	2,314.62	3,573.42
Total	**10,421.65**	**1,709.29**	**2,186.52**	**7,997.88**	**22,315.34**

C. Market Risk

a) Foreign currency risk

The Company is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of any of the Company entities. Considering the low volume of foreign currency transactions, the Company's exposure to foreign currency risk is limited and the Company hence does not use any derivative instruments to manage its exposure. Also, the Company does not use forward contracts and swaps for speculative purposes.

i) Foreign currency risk exposure in USD:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Financial assets	2.86	1.39
Financial liabilities	1.21	1.80
Net exposure to foreign currency risk (liabilities)	**1.64**	**(0.41)**

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
USD sensitivity		
INR/USD- increase by 500 bps (31 March 2017 500 bps)*	0.08	(0.02)
INR/USD- decrease by 500 bps (31 March 2017 500 bps)*	(0.08)	0.02

** Holding all other variables constant*

(ii) Foreign currency risk exposure in EURO:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Financial assets	0.07	0.10
Financial liabilities	0.24	0.19
Net exposure to foreign currency risk (liabilities)	**(0.18)**	**(0.09)**

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
EURO sensitivity		
INR/EURO- increase by 500 bps (31 March 2016 500 bps)*	(0.01)	(0.00)
INR/EURO- decrease by 500s bps (31 March 2016 500 bps)*	0.01	0.00

** Holding all other variables constant*

b) Interest rate risk

(i) Liabilities

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2018 and 31 March 2017, the Company is exposed to changes in interest rates through bank borrowings at variable interest rates. The Company's investments in fixed deposits carry fixed interest rates.

Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Variable rate borrowing	13,996.13	12,178.22
Fixed rate borrowing	2,978.11	2,977.76
Total borrowings	**16,974.23**	**15,155.98**

Sensitivity

Below is the sensitivity of profit or loss and equity changes in interest rates.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
'Interest sensitivity*		
Interest rates – increase by 50 bps basis points	69.98	60.89
Interest rates – decrease by 50 bps basis points	(69.98)	(60.89)

** Holding all other variables constant*

ii) Assets

The Company's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

c) Price risk

The Company does not have any significant investments in equity instruments which create an exposure to price risk.

45. CAPITAL MANAGEMENT

The Company' s capital management objectives are

- to ensure the Company's ability to continue as a going concern

- to provide an adequate return to shareholders

The Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage.This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Net debt	10,632.71	7,286.31
Total equity	(6,337.35)	(3,366.70)
Net debt to equity ratio*	-	-

The Company has not declared dividend in current year or previous year.

*Owing to equity being negartive as at 31 March 2018 and 31 March 2017, debt to equity ratio has been shown as nil.

46. EMPLOYEE BENEFIT OBLIGATIONS

(₹ in crores)				
Particulars	31 March 2018		31 March 2017	
	Current	Non-current	Current	Non-current
Gratuity	62.68	325.47	50.55	330.16
Compensated absences (unfunded)	182.03	931.36	159.93	957.17
Total	**244.71**	**1,256.83**	**210.48**	**1,287.33**

Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity.The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service.

For the funded plan, the Company makes contributions to recognised debt base funds in India. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected payments.The expected contribution to the plan for next annual reporting period amounts to ₹ 20.33 crores (previous year - ₹ 19.87 crores).The weighted average duration of the defined benefit obligation as at 31 March 2018 is 7 to 8 years years (31 March 2017: 7 to 8 years).

A Disclosure of gratuity

(i) Amount recognised in the statement of profit and loss is as under:

(₹ in crores)

Description	31 March 2018	31 March 2017
Current service cost	24.86	20.28
Amount recognised in the statement of profit and loss	24.86	20.28

(ii) Movement in the liability recognised in the balance sheet is as under:

(₹ in crores)

Description	31 March 2018	31 March 2017
Present value of defined benefit obligation as at the start of the year	**380.72**	**342.33**
Current service cost	20.86	20.28
Past service cost including curtailment gains/losses	4.00	
Interest cost	27.60	27.22
Actuarial loss recognised during the year	2.61	32.06
Benefits paid	(47.63)	(41.17)
Present value of defined benefit obligation as at the end of the year	**388.16**	**380.72**

(iii) Movement in the plan assets recognised in the balance sheet is as under:

(₹ in crores)

Description	31 March 2018	31 March 2017
Fair value of plan assets at beginning of year	**462.80**	**802.83**
Expected return on plan assets	30.85	63.83
Transfer to/from MTNL	(34.09)	(422.31)
Receivable from MTNL	41.53	13.17

Premium redemption reserve	0.55	2.72
Advance income	0.08	-
Actuarial gain on plan assets	4.99	2.56
Provision for interest	3.59	-
Fair value of plan assets at the end of the year	**510.30**	**462.80**
Actual return on plan assets	35.84	66.39

(iv) Breakup of actuarial (gain)/loss:

(₹ in crores)

Description	31 March 2018	31 March 2017
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	1.46	8.71
Actuarial (gain)/loss on arising from experience adjustment	(3.84)	20.78
Total actuarial (gain)/loss	**(2.38)**	**29.50**

(v) Actuarial assumptions

(₹ in crores)

Description	31 March 2018	31 March 2017
Discount rate	7.65%	7.25%
Future basic salary increase	3.50%	3.50%
Future DA increase	4.00%	3.55%

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds of relevant economic markets and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

(vi) Sensitivity analysis for gratuity liability

(₹ in crores)

Description	31 March 2018	31 March 2017
Impact of the change in discount rate		
Present value of obligation at the end of the year	388.15	380.72
- Impact due to increase of 0.50 %	(8.51)	(8.77)
- Impact due to decrease of 0.50 %	8.99	9.24
Impact of the change in salary increase		
Present value of obligation at the end of the year	388.15	380.72
- Impact due to increase of 0.50 %	9.19	9.54
- Impact due to decrease of 0.50 %	(8.82)	(9.12)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous period.

(vii) Maturity profile of defined benefit obligation

(₹ in crores)

Description	31 March 2018	31 March 2017
Within next 12 months	50.55	50.55
Between 1-5 years	203.63	201.98
Between 5-10 years	90.26	91.18
Beyond 10 years	**42.71**	**37.00**

(viii) Category of investment in gratuity trust:

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Government of India Securities	16.99	16.99
Corporate bonds	191.97	191.97
State government securities	192.39	204.49
Mutual funds	2.86	2.86
Others	99.58	46.49
LIC	6.51	-
Total	**510.30**	**462.80**

B. Compensated absences (unfunded)

The leave obligations cover the Company's liability for sick and earned leaves.The Company does not have an unconditional right to defer settlement for the obligation shown as current provision balance above. However based on past experience, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months, therefore based on the independent actuarial report, only a certain amount of provision has been presented as current and remaining as non-current. Amount of ₹ 146.02 crores (previous year: ₹ 164.53 crores) has been recognised in the statement of profit and loss.

C. Defined contribution plans

Contributions are made to the Government Provident Fund and Family Pension Fund which cover all regular employees eligible under applicable Acts. Both the eligible employees and the Company make pre-determined contributions to the Provident Fund.The contributions are normally based upon a proportion of the employee's salary.

The Company has recognized the following amounts in the statement of profit and loss :

Particulars	31 March 2018	31 March 2017
Employer contribution to provident fund*	64.63	67.49
Leave encashment contribution for DoT employees**	1.29	0.94
Pension contribution for DoT employees***	2.01	1.36
Pension contribution for company employees****	106.98	116.70

* Mentioned as contribution to CPF ** Mentioned as leave encashment - Others *** Mentioned as pension contribution - Others **** Mentioned as pension contribution - Company employees

D. Gratuity and compensated absences 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.

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

F. 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.

47. RELATED PARTY DISCLOSURES

Related parties where control exists:

i Key Management Personnel

Name	Designation
Mr. N.K Yadav	C.M.D. upto 07.06.16
Mr. P. K. Purwar	CMD from 02.03.2017 & Director (Finance) upto 02.03.2017 & Additional charge of CMD from 08.06.16 upto 01.03.17 & Additional charge of Director (Finance) from 03.03.17.
Mr. Sunil Kumar	Director (HR)
Mr. Sanjeev Kumar	Director (Technical) from 02.07.2016
Mr. S.R. Sayal	Company Secretary
Mr.Nirmal Kumar Joshi	Executive Director, Delhi (01.12.16 to till date)
Mr. Sunil Kumar	Executive Director, Delhi (01.05.16 to 30.11.16)
Mr. Harvesh Bhatia	Executive Director, Delhi (01.04.16 to 30.04.16)
Mr. Pravin Punj	Executive Director, Mumbai

ii Subsidiaries

Mahanagar Telephone (Mauritius) Limited ('MTML')

Millenium Telecom Limited

MTML International Limited (subsidiary of MTML)

MTML Data Limited (subsidiary of MTML)

iii Joint ventures

MTNL STPI IT Services Limited ('MSISL')

iv Associates

United Telecommunications Limited ('UTL')

v Other related parties

MTNL Leave encashment trust

MTNL Gratuity trust

vi Other government entity

Bharat Sanchar Nigam Limited ('BSNL')

vii Summary of significant transactions with related parties:

(₹ in crores)

	For the year ended	
Particulars	**31 March 2018**	**31 March 2017**
Remuneration to Key Managerial Personnel		
- Short-term employee benefits	1.59	1.43
- Post employment benefits	0.12	0.13
- Other long-term employee benefits	0.33	0.24
Amount received from MTML	2.44	2.99

Amount received from MTL	0.14	-
Amount paid from MTL	0	0.28
Services received from MTL	0	0.24
Claims made on MTL	0.01	0.10
Services rendered to MTML	-	0.02

(viii) Summary of significant outstanding balances with related parties:

(₹ in crores)

Particulars	31 March 2018		31 March 2017	
	Loans	Investment in shares	Loans	Investment in shares
MTML	-	100.97	-	100.97
MTL	0.48	2.88	0.47	2.88
MSISL	-	2.28	-	2.28
UTL	-	35.85	-	35.85

ix The Company has certain transactions with respect to sale and purchase of services and receives reimbursement of expenses (vis-a-vis electricity and water charges) in relation to renting of immovable property from BSNL.

*As per article 12.19 (b) of Shareholders' agreement together with para 27 of the amendatory agreement (together referred to as 'amended agreement') entered into between MTNL,TCIL,TCL and NVPL (Nepal), together referred to as 'Investors' pursuant to their investment in United Telecom Limited ('UTL'), in case NVPL (the local partner in Nepal) decides to sell its stake to any third party, it requires prior consent of other Investors. Further, at such time, per exit clause in the agreement, any of the other Investors other than NVPL can exit the arrangement after 2 years from the amended agreement by issuing 3 month's notice. Pursuant to this exit clause, the Company has issued notice to UTL on 30 January, 2018 for making an exit. The notice is valid uptil 30 April 2018 and subsequent to 30 April 2018, the local partner has sought time extension of another 3 months i.e. till 30 July, 2018 for giving effect to the exit requested by the Company. Accordingly, such investment has been classified as 'held for sale' in the financial statements for year ended 31 March 2018.

48. DETAILS OF CONTINGENT LIABILITIES, PENDING LITIGATIONS AND OTHER MATTERS:

(₹ in crores)

	Particulars	31 March 2018	31 March 2017
a	Income Tax Demands disputed and under appeal ^	399.79	399.79
b	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	837.34	816.95
c	"(i) Interest to DDA on delayed payments/pending court cases/Tax cases (ii) Stamp duty payable on land and buildings acquired by the company"	Amount Indeterminate Amount Presently Unascertainable	Amount Indeterminate Amount Presently Unascertainable
d	Claims against the company not acknowledged as debts	3205.71	3,205.71
e	Pending arbitration/court cases	2443.00	2,305.13
f	Bank guarantee & Letter of Credit	85.67	118.27
g	Directory dispute	51.54	49.04

h	Pending court cases against land acquisition	4.87	4.61
i	License fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36	140.36
j	License fee related contingent liability w.r.t. provisional assessment done by DOT	811.16	670.86
k	BTS related penalty imposed by DoT	84.25	84.25

^Contingent Liability on account of Income Tax as shown in (a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed.

49. COMMITMENTS

A Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(₹ in crores)

	31 March 2018	31 March 2017
Property, plant and equipment	106.06	344.30

B 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.

50. LEASES

A. Operating leases – Assets taken on lease

The Group has leased certain towers, land and buildings under operating lease arrangements. The leases are renewable on periodical basis and cancellable at Group's option. Total lease payments recognized in the consolidated statement of comprehensive income is ₹ 93.75 crores (31 March 2017: ₹ 88.47 crores).

B. Finance leases – Assets given on lease

The Company has leased land under finance lease arrangements. As at 31 March 2018, the net carrying amount of the leasehold land was ₹ 293.30 crores (31 March 2017: ₹ 294.92 crores).

(₹ in crores)

	31 March 2018			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	380.78	406.58
Finance charges	0.52	6.39	354.45	361.37
Net present values	**4.64**	**14.25**	**26.33**	**45.21**

	31 March 2017			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	385.93	411.73
Finance charges	0.52	6.39	359.61	366.52
Net present values	**4.64**	**14.25**	**26.32**	**45.21**

51. DISCONTINUED OPERATIONS

(a) Description

CDMA Service, which is reported under Cellular Segment as per Ind AS 108, 'Operating Segment' (Segment Reporting), was discontinued from 01 March 2016 and spectrum used for CDMA services has been surrendered for ₹ 458.04 crores to DoT. During the current year, the Company has made recoveries pertaining to CDMA assets and paid license fee on such recoveries.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 March 2018 and 31 March 2017.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Revenue	0.58	-
Expenses	(0.16)	-
Profit before income tax	0.42	-
Income tax expense	-	-
Profit after income tax	0.42	-
Gain on sale of assets after income tax for segment discontinued	-	-
Profit from discontinued operation	0.42	-
Exchange differences on translation of discontinued operations	-	-
Other comprehensive income from discontinued operations	**0.42**	**-**
Net cash inflow from operating activities	0.42	-
Net cash inflow (outflow) from investing activities	-	-
Net cash (outflow) from financing activities	-	-
Net increase in cash generated from discontinued operation	**0.42**	**-**

52. SEGMENT INFORMATION

The Company is in the business of providing telecommunication services in India and has two reportable segments viz. Basic and Cellular. As per para 4 of Ind AS 108 'Operating Segments", if a financial report contains both the consolidated financial statements as well as the separate financial statements, segment information is required only in the consolidated financial statements.

53. ASSETS PLEDGED AS SECURITY

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Current		
Pari-passu charge		
Inventories	24.61	15.07
Trade receivables	424.27	491.58
Cash and cash equivalents	54.37	87.00
Other bank balances	11.41	0.60
Loans	2,954.37	2,811.87
Other financial assets	886.66	843.72
Other currents assets	632.86	683.52
Total current assets pledged as security	**4,988.55**	**4,933.36**
Non-current		

Pari-passu charge		
Apparatus & plant	1,937.68	2,049.08
Vehicle	1.60	1.87
Furniture & fixtures	12.26	12.12
Office machinery & equipment	2.11	1.93
Electrical appliances	14.08	13.65
Computers	18.30	17.75
Total non-currents assets pledged as security	**1,986.03**	**2,096.40**
Total assets pledged as security	**6,974.58**	**7,029.76**

54. DISCLOSURE UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("MSMED ACT, 2006") IS AS UNDER:

(₹ in crores)

	Particulars	31 March 2018	31 March 2017
(i)	*the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;*	Nil	Nil
(ii)	the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil
(iii)	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	Nil	Nil
(iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
(v)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	Nil	Nil

The Company is in the process of seeking confirmation from its vendors regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006. The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

55A The Company is covered under Section 135 of the Companies Act, 2013 and accordingly constituted a Corporate Social Responsibility Committee of the Board. However, as the Company did not have average net profits based on the immediately preceding three financial years, the Company is not required to spend amounts towards Corporate Social Responsibility in terms of the 2013 Act.

55B During the year the Company has made expenditure in foreign currency equivalent to ₹ 3.35 crores. Whereas earnings in foreign currency are ₹ 2.80 crores.

56 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 01 April 1986, the documentation shall be contemplated at the time of sale or disposal as and when effected.

57 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 February 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 ₹ 3,205.71 crores is shown on the basis of the demand raised by DOT in respect of GSM.

58 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.

59 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 instalments. Accordingly, five instalments 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 instalments.The instalments which were due in 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 have not been paid, therefore necessary provision for the overdue instalments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments made by M/S ITI and as funds will be made available after budget 2014-15 is passed and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7 May 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 May 2015, 21 July 2015, 27 August 2015 and 29 January 2016. 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 January 2016 but the same was rejected by MTNL and communicated to ITI vide letter no. MTNL/CO/GM(BB&IA)/ITI Investment/2013-14 dated 09 February 2016. Subsequently MTNL has initiated the required actions as per Section 55(3) of Companies Act 2013 effected from 1 June 2016 and the issue is taken up again vide letter no. MTNL/CO/BKG/ITI Investment/2013-14/127 dated 19 May 2017 for issuing of cumulative preference shares for the entire amount due inclusive of dividend.

60 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.

61 The Company had claimed benefit under section 80IA of the Income Tax Act, 1961 for the financial year from 1996-97 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 Court of Delhi. The Company has retained the provision of ₹ 375.96 crores (previous year ₹ 400.33 crores) for this claim for the assessment years 1998-99, 1999-00 and 2000-2001, however, the demands on this account amounting to ₹ 243.22 crores (previous year ₹ 345.72 crores) for the assessment years 2000-01 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act, 1961.

62. Litigations

a) 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 April 1996. MTNL, Mumbai & Delhi invoked Bank Guarantees on 09 April 1996, issued Legal Notice on 22 July 1996 and terminated the contract.

Sole Arbitrator has been appointed by CMD, MTNL. The Sole Arbitrator has since given his award on 09 April 2013 partly in favour of MTNL, Mumbai and on 31 July 2013 in favour 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.

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. MTNL 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 May 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 May 2014 on which MTNL filed CWP no.022764 dated 16 July 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 ₹ 172.83 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.

63 Settlements with BSNL:

a) The amount recoverable from BSNL is ₹ 5,396.52 crores (previous year ₹ 5,671.54 crores) and amount payable is ₹ 2,009.37 crores (previous year ₹ 1,941.76 crores). The net recoverable of ₹ 3,387.15 crores (previous year ₹ 3,729.78 crores) is subject to reconciliation and confirmation. The carrying value of the net recoverable from BSNL is ₹ 3,282.45 crores (previous year - ₹ 3,422.58 crores) measured at amortised cost.

b) Certain claims of BSNL on account of Signalling charges ₹ 21.93 crores (previous year ₹ 21.93 crores), Transit tariff ₹ 25.19 crores (previous year ₹ 25.19 crores), MP Billing ₹ 6.01 crores (₹ 6.01 crores), Service Connections ₹ 40.15 crores (previous year ₹ 40.15 crores), IUC ₹ 10.14 crores (previous year ₹ 10.14 crores) and IUC from Gujrat Circle ₹ 1.11 crore (previous year ₹ 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 October 2000 to 30 September 2006 to the tune of ₹ 9.80 crores (previous year ₹ 9.80 crores) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹ 31.27 crores (previous year ₹ 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 (previous year ₹ 21.47 crores) is shown as contingent liability.

64 Subscribers' dues and deposits:

Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹ 36.07 crores (previous year ₹ 34.58 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.

65 The amounts of receivables and payables (including NLD / ILD Roaming operators) are subject to confirmation and reconciliation.

66 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.

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

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Indira Sahakari Bank Limited	0.56	0.56
(account closed, considered doubtful)	(0.56)	(0.56)

68 Settlements with DoT:

a Amount recoverable on current account from DoT is ₹ 6,807.97 crores (previous year ₹ 7,318.54 crores) and amount payable is ₹ 38.71 crores (previous year ₹ 54.93 crores). The net recoverable of ₹ 6,769.26 crores (previous year ₹ 7,263.61 crores) is subject to reconciliation and confirmation. There is no agreement between the MTNL 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 31 March 1986 were ₹ 81.32 crores (previous year ₹ 81.32 crores) in Mumbai unit as intimated provisionally by DoT. At the year end, these deposits amounted to ₹ 103.28 crores (previous year ₹ 103.28 crores), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31 March 1986. Balance on this account still recoverable from DoT is ₹ 55.85 crores (previous year ₹ 55.85 crores).

c The total provision for Leave encashment is ₹ 1,113.39 crores up to 31 March 2018 (previous year ₹ 1,117.10 crores). Out of this, an amount of ₹ 65.37 crores (previous year ₹ 65.37 crores) and ₹ 43.37 crores (previous year ₹ 43.37 crores) is recoverable from DOT in respect of Company C & D and Company B employees respectively for the period prior to their absorption in MTNL.

d An amount of ₹ 1,150.97 crores (previous year ₹ 1,886.76 crores) towards GPF contribution is recoverable from DOT as on 31 March 2018. The amount pertains to Company C& D and Company B employees absorbed in MTNL w.e.f. 01 November 1998 and 01 October 2000 respectively.

69 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.

70 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 Indian Accounting Standards - 36 "Impairment of assets" as specified under Section 133 of the Companies Act, 2013.

71 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.

72 **Debenture Redemption Reserve:** In view of losses, Debenture Redemption Reserve had not been created in respect of Redeemable Non-Convertible Debentures since 2014-15 (in the form of Bonds).

73 There is no amount which is required to be transferred to Investor Education and Protection Fund by the Company.

74 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.

75 The Bank Reconciliation Statements as at 31 March 2018 include unmatched/unlinked credits/ debits amounting to ₹ 1.61 crore (previous ₹ 2.33 crore) and ₹ 3.11 crore (₹ 1.04 crore) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.

76 The Company has incurred a loss of ₹ 2,973.10 crores during the year under report. The company has been incurring continuous losses since year 2009-10 (except in FY 2013-14) and the net worth has been fully eroded for the year under report. Considering the continuous losses and negative net worth, the management has made an assessment of its ability to continue as a going concern. The Company has taken up a VRS proposal with the Government., 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, proposal of Govt to provide 4G license to the company and infusion of fresh capital by the Govt in lieu of granting 4G license is also under consideration All these cases are under consideration of the Govt. Besides, the CMTS License which was earlier valid up to 10 October 2017, the validity is revised by Govt. up to 5 April 2019 which facilitates the continuation of services without any additional upfront Spectrum cost till the year 2019 and in addition the proposal for monetization of assets is also taken up with Govt.. 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.

77 In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for

Mumbai City. The recognition of profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) - 18 on "Revenue" is pending till the finalisation of fresh addendum.

78 During the year, the Company has booked an income amounting to ₹ 136.74 crores as other income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units is pending due to finalization of detailed report on the basis of PPOs issued in respect of Mumbai unit is under process. On completion of the same necessary effect will be taken to accounts.

79 Certain items of property, plant and equipments such as batteries, Air conditioners, transformers, lifts and cables etc. are capitalized on account of replacement of old assets in existing property, plant and equipments. The removal of WDV of existing assets is pending till the relocation/ decommissioning of existing assets which is under scrutiny and the consequential impact of the residual value will be considered at the time of scrap in the ensuing year.

For and on behalf of Board of Directors

For Mehra Goel & Co. Chartered Accountants FRN: 000517N	**For Kumar Vijay Gupta & Co.** Chartered Accountants FRN No. 007814N	**(Sultan Ahmed)** GM (Finance) CO	**(S.R. Sayal)** CO. Secy.
Sd/- **(Nikhil Agrawal)** Partner Membership No. 419806	Sd/- **(Roopa Garg)** Partner Membership No. 500677		Sd/- **(P. K. Purwar)** Chairman & Managing Director DIN 06619060

Place : New Delhi
Date : 30 May 2018

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED IND AS FINANCIAL STATEMENTS

TO,
THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Consolidated IND AS Financial Statements

We have audited the accompanying consolidated Ind-AS financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates and its jointly controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statements of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flows Statement and consolidated Statements of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred as "the consolidated Ind-AS Financial Statement").

Management's Responsibility for the Consolidated Ind-AS financial statements

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

Auditors' Responsibility

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

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind-AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind-AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of consolidated Ind-AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind-AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind-AS financial statements.

We believe that the audit evidence obtained by us and audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind-AS financial statements.

Basis for Qualified Opinion

We draw your attention to the following qualifications on consolidated Ind-AS financial statements being qualifications of the Holding Company requiring basis of qualified opinion by us:

(i) *The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 as well as in the previous year and the current liabilities exceeded the current assets substantially.*

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

However, the consolidated Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 81 to the consolidated Ind-AS financial statements)

(ii) Bharat Sanchar Nigam Limited (BSNL):

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of ₹ 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the consolidated Ind-AS financial statements)

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

c) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to ₹ 115.61 Crores has not been carried forward or ineligible credits amounting to ₹ 50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

d) The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 6,464.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the consolidated Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 63 to the consolidated Ind-AS financial statements).

(v) The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 “Property, Plant and

Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the consolidated Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 75 to the consolidated Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the consolidated Ind-AS financial statements).

(viii) Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(ix) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated Ind-AS financial statements cannot be ascertained and quantified at present.

(b) Unlinked credit of ₹ 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 69 and 80 to the consolidated Ind-AS financial statements).

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

(xi) Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as

leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

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

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

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

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the consolidated Ind-AS financial statements of the Company. (Also refer note no. 62 to the consolidated Ind-AS financial statements).

(xiii) *In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 82 to the consolidated Ind-AS financial statements).*

(xiv) *During the year, the Company has booked an income amounting to ₹ 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 83 to the consolidated Ind-AS financial statements).*

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) on the consolidated Ind-AS financial statements of the Company for the year ended on 31st March 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and jointly controlled entities, the aforesaid consolidated Ind-AS financial statements give the information required by the Act in the manner so required and except for the effects of the matter referred to in the basis for Qualified Opinion paragraph above, give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (financial position) of the Group, its associates and jointly controlled entities as at 31st march, 2018, and their consolidated loss (financial performance including other comprehensive income), their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters on the consolidated Ind-AS financial statements being matters pertaining to Holding Company requiring emphasis by us:

(i) Refer note no. 66 to the consolidated Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act,1961.

(ii) Point no. (a) of note no. 67 to the consolidated Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no. 16 to the consolidated Ind-AS financial statements).

(iv) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 16 and 19 to the consolidated Ind-AS financial statements).

(v) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the consolidated Ind-AS financial statements.

(vi) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the consolidated Ind-AS financial statements and further explained in point no. (d) of Note no. 73 to the consolidated Ind-AS financial statements.

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

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

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

Our opinion is not modified in respect of these matters.

Other Matters

(a) We did not audit the financial statements of one subsidiaries amd one jointly controlled entity, whose financial statements reflect total assets of ₹ 12.55 Crores and net assets of ₹4.62 Crores as at 31st March, 2018 total revenues of ₹4.11 Crores for the year ended on that date, as considered in the consolidated IND-AS financial statements. The consolidated Ind-As financial statements also include the Group's share of net profit of ₹0.84 Crores for the year ended 31st March, 2018, as considered in the consolidated IND-AS financial statements, in respect of one jointly controlled entity, whose financial statements have not been audited by us. These financial statements have been audited by other auditor whose reports have been furnished to us by the Management and our opinion on the consolidated Ind-As financial statements, in so far as it related to the amounts and disclosures included in respect of these subsidiary and jointly controlled entity and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and jointly controlled entity, is based solely on the reports of the other auditors.

(b) We did not audit the financial statements / financial information of subsidiary and associate whose financial statements/financial information reflect total assets of ₹168.11 Crores and net assets of ₹19.59 Crores as at 31st March, 2018, total revenue or ₹96.50 Crores and net casdh inflows amou ting ro ₹7.21 Crores for the year ended on that date, as considered in the consolidated IND-AS financial statements. The consolidated Ind-As financial statements also include the Group's share of net loss of ₹16.50 Crores for the year ended 31st March, 2018. as considered in the consolidated Ind-AS financial statements, in respect of one associate, whose financial statements / financial information have not been audited by us. These financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated IND-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and associates, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary and associates, is based solely on such unaudited financial statements/ financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries,

associates and jointly controlled entities, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind-AS financial statements, except for the possible effect of matter described in points no. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis of Qualified Opinion given above.

(b) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind-AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flows Statement and consolidated Statement of Change in Equity dealt with by this Report are in agreement with relevant books of account maintained for the purpose of preparation of the consolidated Ind-AS financial statements.

(d) In our opinion and based on our comments in point no. (i), (ii)(c), (iv), (v), (vi), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis for Qualified Opinion given above, the aforesaid consolidated Ind-AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act except for Ind-As – 1 regarding Presentation of Financial Statements, Ind-AS – 16 regarding Property, Plant and Equipment, Ind-AS – 17 regarding Leases, Ind-AS – 18 regarding Revenue, Ind-AS – 36 regarding Impairment of Assets and Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets;

(e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, Government Companies are exempt from the applicability of sub-section 2 of Section 164 of the Act.

(f) With respect to the adequacy of internal financial controls over financial reporting of the Holding Company, its subsidiary company and jointly controlled entities incorporated in India and the operating effectiveness of such controls, refer to our separate report in **"Annexure A".**

(g) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates and jointly controlled entities, as noted in the 'Other matter' paragraph:

  i. The consolidated Ind-AS financial statements have disclosed the impact of pending litigations, wherever quantifiable, on the consolidated financial position of the Group, its associates and jointly controlled entities. Refer Note no. 52 to the consolidated Ind-AS financial statements.

  ii. The Group, its associates and its jointly controlled entities are not required to make any provision for any material foreseeable losses under any law or accounting standards on long terms contracts. Also the Group, its associates and its jointly controlled entities are not dealing into derivatives contracts. Refer Note no. 79 to the consolidated Ind-AS financial statements.

iii. there are no amounts which are required to be transferred to the Investor, Education and Protection Fund by the Holding Company and its subsidiary company, and jointly controlled entities incorporated in India during the year ended 31st March, 2018. Refer Note No. 78 to the consolidated Ind-AS financial statements.

FOR MEHRA GOEL & CO.	**FOR KUMAR VIJAY GUPTA & CO.**
CHARTERED ACCOUNTANTS	**CHARTERED ACCOUNTANTS**
Firm Registration No.: 000517N	**Firm Registration No.: 007814N**
(NIKHIL AGARWAL)	**(ROOPA GARG)**
PARTNER	**PARTNER**
Membership No.: 419806	**Membership No.: 500677**

PLACE : NEW DELHI
DATED : 30th, May, 2018

ANNEXURE - 'A' TO THE INDEPENDENT AUDITOR'S REPORT

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

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

In conjunction with our audit of the consolidated Ind-AS financial statements of the Company as of and for the year ended 31st March, 2018, we have audited the internal financial controls over financial reporting of Mahanagar Telephone Nigam Limited (hereinafter referred to as "the Holding Company") and its subsidiary company and jointly controlled company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

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

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Holding Company's internal financial controls over financial reporting as at 31st March, 2018:

(i) *The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.*

(ii) *The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.*

(iii) *The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.*

(iv) *The Company does not have an appropriate internal control system to ensure that provisions made*

pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) *The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.*

(vi) *The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.*

(vii) *The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.*

(viii) *The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.*

(ix) *The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.*

(x) *The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing systems does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.*

(xi) *The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.*

(xii) *The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.*

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

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Holding Company, its Subsidiary Company and its jointly controlled company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 consolidated Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the consolidated Ind-AS financial statements of the Company.

Other Matters

Our report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company and one jointly controlled companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

FOR MEHRA GOEL & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 000517N

(NIKHIL AGARWAL)
PARTNER
Membership No.: 419806

FOR KUMAR VIJAY GUPTA & CO.
CHARTERED ACCOUNTANTS
Firm Registration No.: 007814N

(ROOPA GARG)
PARTNER
Membership No.: 500677

PLACE : NEW DELHI
DATED : 30th, May, 2018

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Balance Sheet as at 31 March 2018

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

The accompanying notes are integral part of the financial statements.
This is the balance sheet referred to in our report of even date.

For and on behalf of Board of Directors

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

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

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(Nikhil Agarwal)
Partner
Membership No. 419806

Sd/-
(Roopa Garg)
Partner
Membership No. 500677

Sd/-
(P. K. Purwar)
Chairman & Managing Director
DIN 06619060

Place : New Delhi
Date : 30 May, 2018

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Consolidated Statement of Profit and Loss for the year ended 31 March 2018

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

The accompanying notes are integral part of the financial statements.

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

For and on behalf of Board of Directors

For Mehra Goel & Co.	For Kumar Vijay Gupta & Co.	(Sultan Ahmed)	(S.R. Sayal)
Chartered Accountants	Chartered Accountants	GM (Finance) CO	CO. Secy.
FRN: 000517N	FRN No. 007814N		
Sd/-	Sd/-		Sd/-
(Nikhal Agarwal)	**(Roopa Garg)**		**(P. K. Purwar)**
Partner	Partner		Chairman & Managing Director
Membership No. 419806	Membership No. 500677		DIN 06619060

Place : New Delhi
Date : 30 May, 2018

MAHANAGAR TELEPHONE NIGAM LIMITED

Consolidated Cash Flow Statement for the year ended 31 March 2018

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

For and on behalf of Board of Directors

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

Sd/-
(Nikhal Agarwal)
Partner
Membership No. 419806

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

Sd/-
(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(P. K. Purwar)
Chairman & Managing Director
DIN 06619060

Place : New Delhi
Date : 30 May, 2018

MAHANAGAR TELEPHONE NIGAM LIMITED

Consolidated Statement of changes in equity for the year ended 31 March 2018

A Equity share capital

(₹ in crores)

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

B Other equity

(₹ in crores)

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

For and on behalf of Board of Directors

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

Sd/-
(Nikhal Agarwal)
Partner
Membership No. 419806

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

Sd/-
(Roopa Garg)
Partner
Membership No. 500677

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(P. K. Purwar)
Chairman & Managing Director
DIN 06619060

Place : New Delhi
Date : 30 May, 2018

Summary of Significant Accounting Policies

a) Overall consideration

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases that are in effect as at the reporting date and summarised below, other than certain annual recurring charges of up to Rupees 1 lakh each for overlapping periods, which are not considered to be material and accounted for on cash basis. These were used throughout all periods presented in the financial statements, except where the Group has applied certain accounting policies and exemptions upon transition to Ind AS.

Basis of preparation

The financial statements have been prepared on going concern basis under the historical cost convention except for the following –

- Certain financial assets and liabilities which are measured at fair value;
- Defined benefit plans – plan assets measured at fair value; and
- Assets held for sale – measured at fair value less cost to sell

Basis of consolidation

Subsidiaries

The Group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's statement of profit and loss and net assets that is not held by the Group. Profit/(loss) and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The Group attributes total comprehensive income or loss of the subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. Such a change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity.

Associates and joint ventures

Associates

Investment in entities in which there exists significant influence but not a controlling interest are accounted for under the equity method i.e. the investment is initially recorded at cost, identifying any goodwill/capital reserve arising at the time of acquisition, as the case may be, which will be inherent in investment. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the investee, adjusted where necessary to ensure consistency with the accounting policies of the Group. The consolidated statement of profit and loss includes the Group's share of the results of the operations of the investee. Dividends received or receivable from associate ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and associates are eliminated to the extent of the Group's interest in these entities.

Joint ventures

Investments in joint arrangements are classified as either Joint operations or Joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the Joint arrangement.

- Joint ventures – Interest in joint venture are accounted for using the equity method, after initially being recognised at cost. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the investee, adjusted where necessary to ensure consistency with the accounting policies of the Group. The consolidated statement of profit and loss includes the Group's share of the results of the operations of the investee. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment. Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in these entities.
- Joint operations – The Group recognises its direct right to the assets, liabilities, revenue and expenses of Joint operations and its share of any jointly held or incurred assets, liabilities, revenue and expenses. These have been incorporated in the financial statement under the appropriate heading.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable net of discounts, process waivers, and VAT, service tax or duty. Revenue is recognized on accrual basis, including income from subscribers whose disputes are pending resolution, and closure of the subscribers' line.

a) In the case of contracts involving delivery of single service element, accounting for revenue would be done on accrual basis and revenue would be recognized over the period in which services are rendered.

b) In case of multi-element revenue arrangements, which involve delivery or performance of multiple products, services or right to use assets, evaluation will be done of all deliverables in an arrangement to determine whether they represent separate units of accounting at the inception of arrangement. Total arrangement consideration related to the bundled contract is allocated among the different elements based on their relative fair values (i.e., ratio of the fair value of each element to the aggregated fair value of the bundled deliverables). In case the relative fair value of different components cannot be determined on a reasonable basis, the total consideration is allocated to the different components based on residual value method.

c) For sale of prepaid products, processing fee on recharge coupons is recognized over the customer relationship period or coupon validity period, whichever is lower.

d) Activation & installation revenue and related costs, not exceeding the respective revenue, are to be deferred and amortized over the estimated customer relationship period. The excess of costs over revenue, if any, are to be expensed as incurred. Subscriber acquisition costs are to be expensed as incurred.

e) Income from sale of prepaid calling cards, virtual calling cards (VCC) and prepaid internet connection cards is recognised basis the usage or expiry of cards, whichever is earlier.

f) Interest income/expenditure is to be recognized based on effective interest rate [EIR] i.e. the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset to the net carrying amount of the financial assets. The future cash flows include all other transaction costs fees paid or received, premiums or discounts if any etc. The difference between the actual interest rate and effective interest will be routed through statement of profit or loss.

g) Income from services includes income from leasing of infrastructure to other service providers. Cost of related stores and materials consumed in execution 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 cost.

h) Sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.

c) Post-employment benefits

a) Defined contribution plan

A defined contribution plan is a plan under which the Group pays fixed contributions into an independent fund administered by the government. The Group has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. Group's defined contribution plans include provident fund, pension contribution and leave salary.

(i) In respect of absorbed combined service pension optees in MTNL, provision for pension contribution is payable to the Govt. of India as per FR-116 as in Bharat Sanchar Nigam Limited ('BSNL') with equivalent BSNL pay scales and it is expensed off in the relevant year.

(ii) In respect of officials who are on deemed deputation from Department of Telecommunications (DoT) and other Government departments, the provision for pension contribution is payable to the Government of India at the rates specified in Appendix 2(A) to FR 116 and 117 of FR. & SR and it is expensed off in the relevant year. Further, provision for leave encashment is payable @ 11% of pay as specified in appendix 2(B) of F.R.116 and 117 of F.R. & S.R. and it is expensed off in the relevant year.

b) Defined benefit plan

The defined benefit plans sponsored by the Group defines the amount of the benefit that an employee will receive on completion of services by reference to length of service and last drawn salary. The legal obligation for any benefits remains with the Group. The Group's defined benefit plans include amounts provided for gratuity and provident fund.

(i) For Absorbed CPF optees and direct recruits of MTNL, the Company makes contribution to provident fund Trust administered by the Company, which is recognised by the income tax authorities. Both the employer and employee contribute to this Fund and such contributions together with interest accumulated thereon are payable to employees at the time of their separation from the Company or retirement, whichever is earlier. The interest rate payable to the members of the Trust is not lower than the rate of interest declared annually by the Government under the Employees's Provident Funds and Miscellaneous Provisions Act, 1952 and shortfall, if any, on account of interest is to be made good by the Company. Accordingly, this is accounted for a defined benefit plan and any shortfall in the Fund is accounted as expense in the books of the company.

(ii) For Absorbed CPF optees and direct recruits of MTNL, the liability for gratuity is estimated using actuarial valuation as the present value of the defined benefit obligation (DBO) at the reporting date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. Actuarial gains and losses arising from past experience and changes in actuarial assumptions are credited or charged to the statement of OCI in the year in which such gains or losses are determined.

(iii) 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. Long-term provisions in this respect have been discounted using the applicable discount rates.

c) Other long-term employee benefits

(i) Liability for leave encashment for all employees of MTNL is accounted for on actuarial valuation basis, performed by an independent actuary using the projected unit credit method as on the reporting date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in the consolidated statement of profit and loss in the year in which such gains or losses arise.

(ii) 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.

d) Short-term benefits comprise of employee costs such as salaries, bonus, ex-gratia, short-term compensated absences are accrued in the year in which the associated services are rendered by employees of the Group.

e) Bonus/Ex-gratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company.

d) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time, which is generally considered as one year, to get ready for its intended use or sale are capitalised as part of the cost of the asset. Further, projects with estimated cost up to `30 crores generally take a year to complete. All other borrowing costs are expensed in the period in which they occur and reported in finance cost. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Transaction costs in respect of long-term borrowings are amortized over the tenor of respective loans using effective interest method.

e) Property, plant and equipment

Recognition and initial measurement

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at cost less accumulated depreciation. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price. 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 land is taken.

ii. Building is capitalized to the extent it is ready for use.

iii. Apparatus &plants principally consisting of telephone exchange equipment and air conditioning plants are capitalised on commissioning of the exchange. Subscriber's 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 capitalised as and when laid or erected to the extent completion certificates have been issued.

v. Cables are capitalised as and when ready for connection with the main system.

vi. Vehicles and other assets are capitalized as and when purchased.

(a) Property, plant and equipment 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.

(b) Expenditure on replacement of assets, equipment, instruments and rehabilitation work is capitalized if it is expected to generate future economic benefits for more than one year.

(c) Upon scrapping/decommissioning of assets, these continue to be classified in property, plant and equipment unless they are classified as 'held for sale' and carried at the lower of carrying value or fair value less costs to sell. Resultant loss, if any, is charged to consolidated statement of profit and loss.

(d) Cost of major inspection is recognized in the carrying amount of plant and equipment if it is expected to generate economic benefits and its life is more than one year.

(e) On replacement of significant components of plant and equipment, recognition is made for such replacement of components as individual assets with specific useful life and depreciated as if these components are initially recognised as separate asset.

(f) In case an item of property, plant and equipment is acquired on deferred payment basis, interest expenses included in deferred payment is recognised as interest expense and not included in cost of asset.

(g) The present value of expected cost for decommissioning of the asset on expiry of its useful life is included in the cost of respective asset. A provision for decommissioning is also created with equivalent amount.

(h) Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in the statement of profit or loss as 'other income' or 'other expenses', as the case may be, on the date of disposal.

Subsequent measurement

(a) Depreciation is provided by Parent using 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 equipment) and identifiable components in Apparatus & plant having significant cost and/or separate useful life than the main asset, mobile handsets for service connection and low cost aerial optical fibre cable 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. Depreciation is provided by foreign subsidiary on Straight line basis over the useful lives of each part of an item of property plant and equipments. The estimated useful lives and residual value are reviewed at the end of each reporting period.

For Apparatus &plant (including Towers, Transceivers, switching centres, transmission & other network equipment), Office equipment & Cable having useful life of 10 Years other than following assets/components with shorter useful lives –

Name of assets	Useful life (years)
1. UPS/Battery up to 300AH capacity	4
2. UPS/Battery more than 300AH capacity	7
3. ADSL, VDSL & MES CPES	5
4. Subscribers telephone instruments	5

For **Office Equipment** having useful life of 5 Years other than following assets/components with shorter useful lives –

Name of assets	Useful life (years)
5. Mobile handset for service connection	4

For **Cable** having useful life of 18 years other than following assets/components with shorter useful lives –

Name of assets	Useful life (years)
6. Low cost aerial optical fibre cable	3

For Foreign Subsidiary depreciation rates used are as follows:

Name of assets	Depreciation rate
7. Buildings	4.75%
8. Computer equipments	31.67%
9. Furniture, Fixtures and fittings	11.87%
10. Office equipments	19.00%
11. Motor vehicles	11.88%
12. Plant & equipments (Outdoor)	10.00%
13. Plant & equipments (Indoor)	13.57%

(b) 100 % depreciation is provided on assets immaterial in value up to ₹0.05 lakh, in the year of purchase itself, 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, which is not considered to be material.

(c) Value of leasehold Land is amortized over the period of lease.

(d) Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, or significant components replaced; depreciation on such assets is calculated on a pro rata basis as individual assets with specific useful life from the date of such addition or, as the case may be, up to the date on which such asset has been sold, discarded, demolished or destroyed or replaced.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all its property, plant and equipment recognised as at 1 April 2015 measured as per the provisions of previous GAAP and use that carrying value as the deemed cost of property, plant and equipment.

f) Intangible assets

Intangible assets are stated at their cost of acquisition and/or development less accumulated amortisation. Intangible assets including application software are capitalised when ready for use. All intangible assets with definite useful life are amortized on a straight line basis over the estimated useful lives and a possible impairment is assessed if there is an indication that the intangible asset may be impaired.

(a) Intangible assets represented by one-time upfront payment for 3G spectrum is amortized on straight-line basis over the period of license i.e. 20 years.

(b) Application software is amortised on straight-line basis over the useful life of the assets which is considered as 10 years.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all its intangible assets recognised as at 1 April 2015 measured as per the provisions of previous GAAP and use that carrying value as the deemed cost of intangible assets.

g) Leased assets

Group as a lessee

Finance leases

Management applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognized as a finance lease liability.

Assets held under finance leases (including land) are depreciated over their estimated useful lives. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to statement of profit and loss, as finance costs over the period of the lease.

Operating leases

Assets acquired on leases where a significant portion of risk and rewards of ownership are retained by the lessor are classified as operating leases. Lease rental are charged to consolidated statement of profit and loss on straight-line basis except where scheduled increase in rent compensate the lessor for expected inflationary costs. Associated costs, such as maintenance and insurance, are expensed as incurred.

Group as a lessor

Operating leases

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. The respective leased assets are included in the balance sheet based on their nature. Rental income is recognized on straight-line basis over the lease term except where scheduled increase in rent compensates the Group with expected inflationary costs.

Indefeasible right to use (IRU)

As a part of operations, the Company enters into agreement for leasing assets under "Indefeasible right to use" with third parties. Under the arrangement, the assets are given on lease over the substantial part of the asset life but the title to the assets and significant risk associated with the operation and maintenance of these assets remain with the lessor. Hence, such arrangements are recognised as operating lease and revenue is recognised over the tenure of the agreement.

h) Non-current assets held for sale and discontinued operations

An entity shall classify a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset and its sale is highly probable. Management must be committed to sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are presented separately and measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some held for sale assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's relevant accounting policy for those assets. Once classified as held for sale, the assets are not subject to depreciation or amortisation.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the consolidated statement of profit and loss.

i) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition the investment properties are stated at cost less accumulated depreciation.

Depreciation is recognized on a straight-line basis to write down the cost less estimated residual value of investment properties other than land.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on de-recognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss in the period in which the property is derecognized.

Transition to Ind AS

On transition to Ind AS, the Group has elected to continue with the carrying value of all its investment properties recognised as at 1 April 2015 measured as per the provisions of previous GAAP and use that carrying value as the deemed cost of investment properties.

j) Inventories

Inventories being stores and spares are stated at the lower of cost and net realisable value. However, inventories held for capital consumption are stated at cost.

Cost of inventories:

Cost of stores and spares is determined on weighted average basis.

Net realisable value:

Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Provision for obsolescence and slow moving inventory is made based on management's best estimates of net realisable value of such inventories.

k) Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Indian Rupee ('INR') which is also the functional currency of the Company, since substantially the entire funding of the Company and its operational income is denominated in Indian Rupee. The functional currency of the subsidiaries, associate and joint venture is local currency applicable in respective jurisdictions.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency of the respective Group entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items denominated in foreign currency at period-end exchange rates are recognized in the statement of profit or loss.

Non-monetary items are not retranslated at period-end and are measured at historical cost (translated using the exchange rates at the transaction date), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Foreign operations

In the Group's financial statements, all assets, liabilities and transactions of the Group entities with functional currency other than the Indian Rupee are translated into Indian Rupee upon consolidation. The functional currency of the entities in the Group has remained unchanged during the reporting period. On consolidation, assets and liabilities have been translated into Indian Rupee at the closing rate at the reporting date. Fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into Indian Rupee at the closing rate. Income and expenses have been translated into Indian Rupee at the average rate over the reporting period. Exchange differences are charged/ credited to other comprehensive income and recognized in the currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognized in equity are reclassified to the statement of profit or loss and are recognized as part of the gain or loss on disposal.

l) Financial instruments

Recognition, initial measurement and de-recognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities is described below.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expires, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognized when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

➢ Amortised cost

➢ financial assets at fair value through profit or loss (FVTPL)

➢ financial assets at fair value through other comprehensive income (FVOCI)

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in the statement profit or loss are presented within finance costs or finance income, except for impairment of trade receivables which is presented within 'other expenses'.

➢ Amortised cost

A financial asset shall be measured at amortised cost using effective interest rates if both of the following conditions are met:

a) financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

b) contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Group's cash and cash equivalents, trade and certain other receivables fall into this category of financial instruments.

A loss allowance for expected credit losses is recognised on financial assets carried at amortised cost.

(i) **For debtors that are not past due –** Life time expected credit losses are assessed and accounted based on company's historical counter party default rates and forecast of macro-economic factors, by dividing receivables that are not considered to be individually significant by reference to the segment of the counter party and other shared credit risk characteristics to evaluate the expected credit loss. The expected credit loss estimate is then based on recent historical counter party default rates for each identified segment.

(ii) **For debtors considered past due –** any enhancement in the accrual done for expected credit loss on individually significant receivables is made as follows –

- 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.
- For landline services – provision is made on the basis of ECL for debtors outstanding for more than 1 year but up to 3 years and 100% in respect of for more than 3 years.
- For closed connections, provision is made in respect of outstanding for more than 3 years along with spill over amount for up to 3 years.
- For wireless services (GSM & CDMA) – 100% provision is made for debtors outstanding for more than 180 days.

➢ *Financial assets at FVTPL*

Financial assets at FVTPL include financial assets that either do not meet the criteria for amortised cost classification or are equity instruments held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. Assets in this category are measured at fair value with gains or losses recognised in the statement of profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

➢ *Financial assets at FVOCI*

FVOCI financial assets are either debt instruments that are managed under hold to collect and sell business model or are non-trading equity instruments that are designated to this category. FVOCI financial assets are measured at fair value. Gains and losses are recognized in other comprehensive income and reported within FVOCI reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in the statement of profit or loss.

Classification and subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortized cost using the effective interest method, except for financial liabilities held for trading or designated as FVTPL, that are carried subsequently at fair value with gains or losses recognised in the statement of profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in the statement of profit or loss and are included within finance costs or finance income.

m) Income taxes

Tax expense recognised in the statement of profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity.

Provision for current tax is made after taking into consideration benefits admissible under the provisions of Income Tax Act, 1961 and in the overseas branches/companies as per the respective tax laws.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided those rates are enacted or substantively enacted by the end of the reporting period.

Deferred tax asset ('DTA') is recognized for all deductible temporary differences, carry forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary difference, and the carry forward of unused tax credits and unused tax losses can be utilised or to the extent of taxable temporary differences.

In respect of deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint arrangements, to the extent that, and only to the extent that, it is probable that the temporary difference will reverse in the foreseeable future; and taxable profit will be available against which the temporary difference can be utilised.

Minimum Alternate Tax (MAT) credit is recognised, 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 recognised as an asset, the said asset is created by way of a credit to the consolidated statement of profit and loss and classified under 'deferred tax asset'.

n) Impairment testing of intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

For intangible assets with indefinite useful life that are tested at least annually. For other assets, the Group 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 consolidated 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, which is the higher of fair value less costs of disposal and value-in-use and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future re-organisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect current market assessment of the time value of money and asset-specific risks factors.

o) Provisions, contingent liabilities and contingent assets

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized 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 or the amount cannot be estimated reliably.

Contingent assets are not recognised. However, when inflow of economic benefit is probable, related asset is disclosed.

p) Government grants

Government grants are recognised if it is sufficiently certain that the assistance will be granted and the conditions attached to assistance are satisfied. Where the grant relates to specified asset, it is recognised as deferred income, and amortized over the expected useful life of the asset. Other grants are recognizsd in the consolidated statement of comprehensive income concurrent to the expenses to which such grants relate/ are intended to cover.

Where the Group receives non-monetary grants, the asset and the grant are recorded gross at fair amounts and released to the consolidated statement of profit and loss over the expected useful life and pattern of consumption of the benefit of the underlying asset.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments (original maturity less than 3 months) that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

r) Adjustment pertaining to Earlier Years

Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure individual transaction not exceeding Rs.1.00 Lakh are treated as income/ expenditure of current year.In respect of Other Income/Expenditure relating to a prior period, which do not exceed 0.5% of Turnover in each case, are treated as income/expenditure of current year.

s) Equity, reserves and dividend payments

Share capital represents the nominal value of shares that have been issued. Share premium includes any premiums received on issue of share capital. Any transaction costs associated with issuing of shares are deducted from share premium account, net of any related income tax benefits.

Other components of equity include the following:

- Re-measurement of defined benefit liability – comprises the actuarial gain or loss from changes in demographic and financial assumptions and return on plan assets
- Reserve for contingencies
- Reserve for research and development
- Reserve for debenture redemption
- General reserve

- Other transactions recorded directly in other comprehensive income.

Retained earnings include all current and prior period retained profits. All transactions with owners of the parent are recorded separately within equity. Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

3.1 Standard issued but not yet effective:

i. Appendix B to Ind AS 21, Foreign currency transactions and advance consideration:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Companies (Indian Accounting Standards) Amendment Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance consideration which clarifies the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income, when an entity has received or paid advance consideration in a foreign currency. The amendment will come into force from 1 April 2018. The effect on adoption of Ind AS 115 is expected to be insignificant.

ii. Ind AS 115- Revenue from Contract with Customers:

On 28 March 2018, Ministry of Corporate Affairs ("MCA") has notified the Ind AS 115, Revenue from Contract with Customers. The core principle of the new standard 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. Further, the new standard requires enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The standard permits two possible methods of transition:

- Retrospective approach - Under this approach the standard will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8- Accounting Policies, Changes in Accounting Estimates and Errors;
- Retrospectively with cumulative effect of initially applying the standard recognized at the date of initial application (Cumulative catch - up approach) The effective date for adoption of Ind AS 115 is financial periods beginning on or after 1 April 2018.

The Company will adopt the standard on 1 April 2018 by using the cumulative catch-up transition method and accordingly comparatives for the year ending or ended 31 March 2018 will not be retrospectively adjusted. The effect on adoption of Ind AS 115 is expected to be insignificant.

Annexure B

Significant management judgement in applying accounting policies and estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities in future periods.

Significant management judgements

The following are significant management judgements in applying the accounting policies of the Group that have significant effect on the financial statements.

Recognition of deferred tax assets - The extent to which deferred tax assets can be recognized is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions

Recognition of deferred tax liability on undistributed profits – The extent to which the Company can control the timing of reversal of deferred tax liability on undistributed profits of its subsidiaries, associate and joint venture requires judgement.

Evaluation of indicators for impairment of assets – The evaluation of applicability of indicators of impairment of assets requires assessment of several external and internal factors which could result in deterioration of recoverable amount of the assets.

Classification of leases – The Group enters into leasing arrangements for various assets. The classification of the leasing arrangement as a finance lease or operating lease is based on an assessment of several factors, including, but not limited to, transfer of ownership of leased asset at end of lease term, lessee's option to purchase and estimated certainty of exercise of such option, proportion of lease term to the asset's economic life, proportion of present value of minimum lease payments to fair value of leased asset and extent of specialized nature of the leased asset.

Arrangements containing lease - The Group applies Appendix C of Ind AS 17 'Leases', "Determining whether an arrangement contains a lease", to contracts entered with telecom operators/passive infrastructure services providers to share tower infrastructure services. Appendix C deals with the method of identifying and recognising service, purchase and sale contracts that do not take the legal form of a lease but convey a right to use an asset in return for a payment or series of payments.

The Group has determined, based on an evaluation of the terms and conditions of the arrangements that such contracts are in the nature of operating leases.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Asset retirement obligations (ARO) - In measuring the provision for ARO the Group uses technical estimates to determine the expected cost to dismantle and remove the infrastructure equipment from the site and the expected timing of these costs. Discount rates are determined based on the government bond rate of a similar period as the liability.

Activation and installation fees - The Group receives activation and installation fees from new customers. These fees together with directly attributable costs are amortised over the estimated duration of customer relationship period. The customer relationship period is reviewed periodically. The estimated relationship period principally reflects management's view of the average economic relationship period of the customer base and is assessed by reference to key performance indicators (KPIs) which are linked to establishment/ ascertainment of customer relationship period. A change in such KPIs may lead to a change in the estimated useful life and an increase/ decrease in the amortisation income/charge. The Group believes that the change in such KPIs will not have any material effect on the financial statements.

Recoverability of advances/receivables – At each balance sheet date, based on discussions with the respective counter-parties and internal assessment of their credit worthiness, the management assesses the recoverability of outstanding receivables and advances. Such assessment requires significant management judgement based on financial position of the counter-parties, market information and other relevant factor.

Classification of assets and liabilities into current and non-current – The management classifies the assets and liabilities into current and non-current categories based on management's expectation of the timing of realisation of the assets or timing of contractual settlement of liabilities.

Impairment of assets - In assessing impairment, management estimates the recoverable amounts of each asset or cash-generating unit (in case of non-financial assets) based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future cash flows and the determination of a suitable discount rate

Useful lives of depreciable/amortisable assets (tangible and intangible) - Management reviews its estimate of the useful lives of depreciable/amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of certain software, customer relationships, IT equipment and other plant and equipment.

Inventories – Management estimates the cost of inventories including cost of materials and overheads considered attributable to the production of such inventories, taking into account the most reliable evidence available including actual cost of production, etc. Management also estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling prices.

Defined benefit obligation (DBO) - Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, medical cost trends, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses

Fair value measurements - Management applies valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

MAHANAGAR TELEPHONE NIGAM LIMITED

Notes forming part of consolidated financial statements for the year ended 31 March 2018

4. PROPERTY, PLANT AND EQUIPMENT

(₹ in crores)

Description	Freehold land	Leasehold land	Buildings	Leased premises	Lines & wires	Cables	Apparatus & plant	Vehicle	Furniture & fixtures	Office machinery & equipment	Electrical appliances	Computers	Asset scrapped/ decommis-sioned	Total
Gross carrying value														
As at 01 April 2016	18.73	357.06	1,844.85	6.53	153.62	7,719.85	9,953.96	27.87	155.97	36.05	151.67	309.81	50.00	20,785.96
Additions	-	1.92	23.00	-	7.09	34.87	173.80	0.35	0.10	1.74	0.18	1.26	0.83	245.15
Adjustments	(0.01)	1.69	(17.72)	-	(0.24)	(15.02)	(48.74)	(1.95)	(0.07)	(0.04)	(0.09)	(0.24)	(2.45)	(84.88)
Exchange Difference	-	-	0.11	-	-	-	(0.27)	(0.00)	(0.00)	-	(0.00)	-	-	(0.16)
Disposals	-	-	-	-	-	-	(0.46)	-	-	-	-	-	-	(0.46)
As at 31 March 2017	**18.72**	**360.67**	**1,850.24**	**6.53**	**160.46**	**7,739.70**	**10,078.29**	**26.27**	**156.01**	**37.75**	**151.76**	**310.83**	**48.38**	**20,945.61**
Additions	-	0.72	34.13	-	6.27	94.10	379.44	0.56	2.87	0.44	3.11	2.08	0.81	524.54
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(0.43)	(0.43)
Adjustments^	0.08	1.90	25.03	-	(1.61)	(35.92)	(77.92)	(2.57)	(0.01)	(0.13)	(0.33)	(0.21)	(3.97)	(95.66)
Exchange differences	-	-	1.24	-	-	-	20.90	0.08	0.17	0.02	-	0.02	-	22.42
Disposals							(0.89)	(0.03)						(0.92)
As at 31 March 2018	**18.80**	**363.28**	**1,910.64**	**6.53**	**165.13**	**7,797.88**	**10,399.82**	**24.31**	**159.04**	**38.09**	**154.54**	**312.72**	**44.79**	**21,395.57**
Accumulated depreciation														
As at 01 April 2016	-	62.70	844.63	1.73	88.73	6,228.65	7,517.07	25.08	139.28	34.10	135.43	279.73	-	15,357.15
Charge for the year	-	3.79	83.24	0.14	5.00	166.35	492.29	0.40	3.70	1.70	2.72	13.39	-	772.72
Adjustments^	-	(0.74)	4.08	-	0.01	(29.85)	(83.80)	(1.59)	(0.04)	(0.02)	(0.05)	(0.05)	-	(112.05)
Exchange differences	-	-	(0.00)	-	-	-	(0.32)	(0.00)	(0.00)	-	(0.00)	(0.00)	-	(0.33)
As at 31 March 2017	**-**	**65.75**	**931.95**	**1.87**	**93.74**	**6,365.16**	**7,925.24**	**23.90**	**142.95**	**35.78**	**138.10**	**293.07**	**-**	**16,017.49**
Charge for the year	-	3.82	80.04	0.14	5.20	150.26	467.67	0.40	2.95	0.24	2.67	1.47	-	714.86
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(0.40)	(0.40)
Adjustments^	-	0.42	11.30	-	0.01	(4.16)	(42.32)	(2.19)	(0.01)	(0.11)	(0.31)	(0.20)	0.40	(37.16)
Exchange differences	-	-	0.19	-	-	-	12.89	0.04	0.10	0.02	-	0.01	-	13.25
As at 31 March 2018	**-**	**69.98**	**1,023.48**	**2.01**	**98.95**	**6,511.26**	**8,363.48**	**22.14**	**145.99**	**35.92**	**140.46**	**294.35**	**-**	**16,708.04**
Net block as at 01 April 2016	**18.73**	**294.35**	**1,000.21**	**4.80**	**64.89**	**1,491.20**	**2,436.89**	**2.78**	**16.69**	**1.95**	**16.24**	**30.08**	**50.00**	**5,428.81**
Net block as at 31 March 2017	**18.72**	**294.92**	**918.29**	**4.66**	**66.73**	**1,374.54**	**2,153.06**	**2.37**	**13.06**	**1.98**	**13.66**	**17.77**	**48.38**	**4,928.12**
Net block as at 31 March 2018	**18.80**	**293.30**	**887.15**	**4.52**	**66.17**	**1,286.62**	**2,036.34**	**2.17**	**13.05**	**2.16**	**14.08**	**18.37**	**44.79**	**4,687.53**

^Adjustments includes transfer to/from investment properties.

Notes:

(i) Contractual obligations

Refer note 53 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Finance leases

Refer note 54(B) for information on property, plant and equipment taken on finance lease.

(iii) Depreciation for the year has been included in line item 'Depreciation and amortisation expense' in statement of profit and loss.

(iv) Additions during the year include adjustments on account of value difference, spill over cost etc. identified during the year in respect of existing property, plant and equipment.

5. CAPITAL WORK-IN-PROGRESS

(₹ in crores)

	31 March 2018	31 March 2017
Buildings	21.46	9.60
Apparatus & plants	207.82	145.38
Lines & wires	1.71	1.46
Cables	36.97	50.92
Subscriber's installations	5.99	22.17
Air conditioning plants	15.35	10.37
Others	97.81	86.13
	387.12	**326.03**
Less: provision for :		
Abandoned work	(14.15)	(2.86)
Others	(41.98)	(31.83)
	330.98	**291.34**

Movement in capital work in progress:

(₹ in crores)

Particulars	Amount
Capital work-in-progress as at 01 April 2016	**136.87**
Add: additions during the year	372.42
Less: capitalisation during the year	(223.74)
Less: reversal/(provision) for abandoned work	5.79
Capital work-in-progress as at 31 March 2017	**291.34**
Add: additions during the year	526.13
Less: capitalisation during the year	(465.05)
Less: reversal/(provision) for abandoned work	(21.44)
Capital work-in-progress as at 31 March 2018	**330.98**

Notes:

(i) Capitalised borrowing cost

The borrowing costs capitalised during the year ended 31 March 2018 was ₹ 6.53 crores (31 March 2017 ₹ 0.10 crores).

(ii) Contractual obligations

Refer note 53 for disclosure of contractual commitments.

(iii) Nature of expenses capitalised during the year

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Salaries and other employee costs	194.29	162.93
Finance cost	6.53	0.10
Administrative costs	0.01	25.07
Total	**200.83**	**188.00**

6. INVESTMENT PROPERTY

(₹ in crores)

Description	Gross block					Accumulated depreciation					Net block	Net block
	01 April 2016	Additions	Disposals/ Adjustments	Exchange differences	31 March 2017	01 April 2016	Charge	Disposals/ adjustments^	Exchange differences	31 March 2017	31 March 2017	01 April 2016
Freehold land	0.32	-	0.01	-	0.33	-	-	-	-	-	0.33	0.32
Leasehold land	8.11	-	2.21	-	10.32	1.74	0.12	0.72	-	2.58	7.75	6.38
Buildings	53.53	-	17.14	-	70.68	20.65	2.00	2.43	-	25.08	45.60	32.88
Total	**61.97**	**-**	**19.36**	**-**	**81.33**	**22.38**	**2.12**	**3.16**	**-**	**27.66**	**53.68**	**39.59**

(₹ in crores)

Description	Gross block					Accumulated depreciation					Net block	Net block
	01 April 2017	Additions	Disposals/ Adjustments	Exchange differences	31 March 2018	01 April 2017	Charge	Disposals/ adjustments^	Exchange differences	31 March 2018	31 March 2018	01 April 2017
Freehold land	0.33	-	(0.08)	-	0.25	-	-	-	-	-	0.25	0.33
Leasehold land	10.32	-	(1.90)	-	8.42	2.58	0.10	(0.42)	-	2.26	6.17	7.75
Buildings	70.68	-	(26.68)	0.79	44.79	25.08	1.46	(10.82)	0.12	15.85	28.94	45.60
Total	**81.33**	**-**	**(28.65)**	**0.79**	**53.47**	**27.66**	**1.56**	**(11.24)**	**0.12**	**18.11**	**35.36**	**53.68**

^Disposals/adjustments includes transfer from/to property, plant and equipment.

(i) Amount recognised in profit and loss for investment property

(₹ in crores)

		31 March 2018	31 March 2017	
Rental income		182.85	145.78	
Direct operating expenses that generated rental income*		-	-	
Direct operating expenses that did not generate rental income*		-	-	
Profit from leasing of investment property		182.85	145.78	

*Direct operating expenses attributable to investment property cannot be specifically identified with properties, although management does not expect them to be material.

(ii) Fair value of investment properties

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Fair value	2,147.42	1,844.22

The Group reviews fair values annually. The following factor have been considered for determination of fair value -

(a) Leasehold properties - These land properties have been allotted to Group on perpetual lease from the government for carrying out operations in normal course of business. The Group constantly reviews the utilisation of its facilities and any surplus properties are considered for letting out to earn rental income. Being leasehold properties, the Group is restricted from selling them in an active market, however, such properties can be converted into freehold properties at circle rates at which the government (or other bodies representing the government) would sell such properties in an active market. This is considered to be representative of the fair value of properties as at reporting date.

(b) Freehold land - The circle rates are considered to be a fair representation at which such properties can be sold in an active market.

(c) Buildings - In case of constructed building, cost of construction adjusted with the present day price index has been taken as the basis of valuation. Necessary depreciation for age and life of the structure has been taken into account.

(iv) The Group has certain properties in Mumbai which were intended held primarily for letting out having gross block of ₹ 34.79 crores and accumulated depreciation ₹ 11.61 crores. However, till suitable tenants are found, such properties were temporarily deployed for own use by the Group. Such properties were classified as investment properties till previous year. In the current year, the management reexamined the situation and with their requirement for own use, such properties are no more planned to be let out. Therefore, such properties with their gross block and accumulated depreciation have been moved from investment properties to property, plant and equipment as at 31 March 2018.

7. INTANGIBLE ASSETS

(₹ in crores)

	Softwares	One time spectrum fees	Total
Gross carrying value			
At 01 April 2016	133.21	6,565.45	6,698.66
Additions	-	-	-
Balance as at 31 March 2017	**133.21**	**6,565.45**	**6,698.66**
Additions	-	0.44	0.44
Disposals/adjustments	-	0.03	0.03
Balance as at 31 March 2018	**133.21**	**6,565.93**	**6,699.14**
Accumulated amortisation			
At 01 April 2016	70.41	2,509.99	2,580.40
Amortisation charge for the year	11.69	328.46	340.15
Adjustments	-	0.42	0.42
Balance as at 31 March 2017	**82.11**	**2,838.87**	**2,920.97**
Amortisation charge for the year	8.87	328.20	337.07
Adjustments	0.39	-	0.39
Balance as at 31 March 2018	**91.36**	**3,167.07**	**3,258.43**
Net book value as at 01 April 2016	**62.80**	**4,055.47**	**4,118.27**
Net book value as at 31 March 2017	**51.10**	**3,726.59**	**3,777.69**
Net book value as at 31 March 2018	**41.85**	**3,398.86**	**3,440.71**

Notes: (i) Contractual obligations

Refer note 53 for disclosure of contractual commitments for the acquisition of intangible assets.

(ii) Amortisation for the year has been included in line item 'Depreciation and amortisation expense' in statement of profit and loss.

(iii) There was no expenditure incurred on research and development during the current and comparative year.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(₹ in crores)

	Number of shares		Amount	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
In equity instruments				
In Joint ventures (unquoted)				
MTNL STPI IT Services Limited (face value of ₹ 10 each fully paid up)	2,282,000	2,282,000	2.88	2.88
			2.88	**2.88**
Less: share of profit from joint ventures accounted using equity method			2.09	1.52
Sub total (A)			**4.37**	**3.81**
In Associates (unquoted)				
United Telecom Limited (face value of Nepali ₹ 100 (₹ 62.50) each fully paid up) (refer note (b) below)	-	5,736,200	-	35.85
			-	**35.85**
Less: Share of loss share from associates accounted using equity method			-	35.85
Sub total (B)			**-**	**3.03**
Investments accounted for using the equity method (A+B)			**4.37**	**3.81**

Notes: (a) Refer note 49 for detailed information on interests in associates and joint ventures "

(b) As per article 12.19 (b) of Shareholders' agreement together with para 27 of the amendatory agreement (together referred to as 'amended agreement') entered into between MTNL,TCIL,TCL and NVPL (Nepal), together referred to as 'Investors' pursuant to their investment in United Telecom Limited ('UTL'), in case NVPL (the local partner in Nepal) decides to sell its stake to any third party, it requires prior consent of other Investors. Further, at such time, per exit clause in the agreement, any of the other Investors other than NVPL can exit the arrangement after 2 years from the amended agreement by issuing 3 month's notice. Pursuant to this exit clause, the Parent has issued notice to UTL on 30 January, 2018 for making an exit. The notice is valid uptil 30 April 2018 and subsequent to 30 April 2018, the local partner has sought time extension of another 3 months i.e. till 30 July, 2018 for giving effect to the exit requested by the Parent. Accordingly, such investment has been classified as 'held for sale' in the financial statements for year ended 31 March 2018. Refer note 23 for details."

9. LOANS

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Secured, considered good		
Loan to employees	22.80	31.94
Unsecured, considered good		
Security deposits with other departments	121.26	115.76
Receivable from DoT	1,149.58	1,885.38
Receivable from BSNL	359.75	650.91
Unsecured, considered doubtful		
Security deposits with other departments	4.94	8.99
Receivable from DoT	1.39	1.39
Receivable from BSNL	6.22	6.22
	1,665.95	**2,700.58**
Less: Allowance for doubtful loans	**(12.55)**	**(16.60)**
	1,653.40	**2,683.98**

Note : (i) No loans are due from director or other officers of the Group either severally or jointly with any other person. Further, no loans are due from firms or private companies respectively in which any director is partner, director or a member.

(ii) Refer note 46 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost and note 47 - Financial risk management for assessment of expected credit losses.

(iii) For details on settlement of receivable from BSNL, refer note 68

(iv) For details on settlement of receivable from DoT, refer note 73

10. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Bank deposits with more than 12 months maturity	10.81	20.39
	10.81	**20.39**

(i) ₹ 10.81 crores (31 March 2017 - ₹ 10.55 crores) representing deposits with original maturity of more than twelve months, held by the entity that are not available for use by the Group, as these are pledged with the banks for issuing bank guarantees to third parties.

(ii) Refer note 46 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost and note 47 - Financial risk management for assessment of expected credit losses.

11. DEFERRED TAX ASSETS (NET)

(₹ in crores)

	31 March 2018	31 March 2017
Deferred tax asset arising on account of :		
Property plant and equipment	0.00	0.00
	0.00	**0.00**

(i) Movement in deferred tax assets for year ended 31 March 2018:

(₹ in crores)

Particulars	01 April 2017	Recognised in other comprehensive income	Recognised in statement of profit and loss	31 March 2018
Non-current assets				
Property plant and equipment	0.00	(0.00)		0.00
Total	**0.00**	**(0.00)**	**-**	**0.00**

(ii) Movement in deferred tax liabilities for year ended 31 March 2017:

(₹ in crores)

Particulars	01 April 2016	Recognised in other comprehensive income	Recognised in statement of profit and loss	31 March 2017
Non-current assets				
Property plant and equipment	0.01	-	(0.00)	0.00
Total	**0.01**	**-**	**(0.00)**	**0.00**

12. INCOME TAX ASSETS (NET)

(₹ in crores)

	31 March 2018	31 March 2017
Advance income tax (net of provision)	715.53	649.70
	715.53	**649.70**

13. OTHER NON-CURRENT ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
Capital advances	1.57	1.57
Advance against future settlements towards DoT	351.98	295.12
Balances with statutory authorities	3.37	4.84
Prepaid expenses	12.40	20.15
	369.33	**321.69**

14. INVENTORIES

(₹ in crores)

	31 March 2018	31 March 2017
(Valued at cost, unless otherwise stated)		
Exchange equipments	28.87	26.46
Telephones & telex instruments	0.25	0.24
Mobile handsets & sim cards	2.89	2.77
WLL equipments	0.08	0.08
Telephones & telex spares	0.09	0.09
Goods in transit	-	1.65
	32.18	**31.29**
Less : Provision for obsolete stores	**(6.77)**	**(15.59)**
	25.41	**15.70**

15. CURRENT INVESTMENTS

(₹ in crores)

	Number of shares		Amount	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
In preference shares (₹ 100 each fully paid up)				
8.75% unquoted preference shares in M/s. ITI Limited*	10,000,000	10,000,000	100.00	100.00
Less : Provision for doubtful recovery of investment			(100.00)	(100.00)
			-	-
Total current investments				

*Receivable in 5 equal instalments, all instalments of ₹ 20 crore each were due in 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 but still not received. Refer note 64 for further details.

16. TRADE RECEIVABLES

(₹ in crores)

	31 March 2018	31 March 2017
Trade receivables		
- Unsecured, considered good	335.97	391.74
- Unsecured, considered doubtful	822.92	789.09
Unbilled receivables	144.29	165.23
	1,303.19	**1,346.06**
Less: Allowance for doubtful debts		
Unsecured considered good (expected credit loss)	(54.86)	(65.18)
Unsecured considered doubtful	(822.92)	(788.72)
	425.40	**492.16**

Notes:

(i) Trade receivables have been pledged as security for liabilities, for details refer note 58.

(ii) No trade or other receivable are due from director or other officers of the Group either severally or jointly with any other person. Further, no trade or other receivables are due from firms or private companies respectively in which any director is partner, director or a member.

(iii) Trade receivables are secured to the extent of security deposits received from customers, with contractual amounts as at 31 March 2018 of ₹ 51.47 crores (31 March 2017 - ₹ 76.12 crores) and related amortised cost as at 31 March 2018 of ₹ 27.39 crores (31 March 2017 - ₹ 31.06 crores).

(iv) The carrying values of trade receivables are considered to be a reasonable approximation of fair values.

17. CASH AND CASH EQUIVALENTS

(₹ in crores)

	31 March 2018	31 March 2017
Balances with banks in current accounts	73.19	88.30
Cheques, drafts in hand	0.66	1.55
Cash on hand	1.93	0.35
Bank deposits with original maturity of less than 3 months	30.12	8.42
Less: provision for doubtful bank balances	(0.56)	(0.56)
	105.33	**98.07**

Notes:

(i) ₹ 0.01 crores (31 March 2017 - ₹ 8.42 crores) representing deposits with original maturity of less than three months, held by the entity that are not available for use by the Group, as these are pledged with the banks for issuing bank guarantees to third parties.

(ii) Other than as disclosed, there are no repatriation restrictions with respect to cash and cash equivalents as at the end of the reporting period and previous period.

(iii) The carrying values are a reasonable approximate of their fair values.

18. OTHER BANK BALANCES

(₹ in crores)

	31 March 2018	31 March 2017
Bank deposits maturity for more than 3 months but less than 12 months	11.41	16.70
	11.41	**16.70**

(i) ₹ 11.39 crores (31 March 2017 - ₹ 0.60 crores) representing deposits with original maturity of more than three months but less than twelve months, held by the entity that are not available for use by the Group, as these are pledged with the banks for issuing bank guarantees to third parties.

(ii) The carrying values are a reasonable approximate of their fair values.

19. LOANS

(₹ in crores)

	31 March 2018	31 March 2017
	Current	Current
Secured, considered good		
Loan to employees	14.43	21.98
Unsecured, considered good	-	-
Loan to employees	1.91	1.34
Security deposits with other departments	21.07	22.62
Receivable from BSNL	2,916.48	2,765.45
Unsecured, considered doubtful		
Loan to employees	0.01	0.01
	2,953.90	**2,811.41**
Less: Allowance for doubtful loans	(0.01)	(0.01)
	2,953.89	**2,811.40**

Notes:

(i) Refer note 46 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost.
(ii) For details on settlement of receivable from related parties refer note 51.

(iii) For details on settlement of receivable from BSNL, refer note 68.

20. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
	Current	Current
Amount recoverable		
IUC operators	233.91	262.86
Others	760.70	694.03
	994.60	**956.89**
Less: provision for doubtful receivables	(107.69)	(113.05)
	886.92	**843.84**

Refer note 46 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost.

21. CURRENT TAX ASSETS (NET)

(₹ in crores)

	31 March 2018	31 March 2017
Advance income tax (net of provision)	0.31	0.13
	0.31	**0.13**

22. OTHER CURRENT ASSETS

(₹ in crores)

	31 March 2018	31 March 2017
Advances to suppliers	23.84	26.65
Advance against future settlements towards DoT	431.16	431.77
Balances with statutory authorities	121.49	146.08
Prepaid expenses	56.70	78.90
Other recoverables	1.22	1.41
	634.41	**684.81**

23. ASSETS HELD FOR SALE

	31 March 2018	31 March 2017
		(₹ in crores)
Property, plant and equipment (refer note (a))	0.09	0.06
Investments in United Telecom Limited (refer note (b))	35.85	-
Less: share of loss share from associates accounted using equity method	**(35.85)**	-
	0.09	**0.06**

Notes:

(a) In respect of assets classified as held for sale in previous year ended 31 March 2017, the Group was in the process to sell switches and BTS-batteries originally acquired for GSM Services in Mumbai in earlier years. A tender was floated for auction of the asset held for sale, which failed due to technical reasons that was not originally envisaged. Another tender was under process for auction of the asset at the year ending 31 March 2018 and favourable resolution is expected. Therefore, such assets continue to be classified as held for sale.

Non-recurring fair value measurements

Asset classified as held for sale was measured at the lower of its carrying amount and fair value less costs to sell at the time of re-classification, resulting in the recognition of a write down of 0.45 crores as impairment loss in the statement of profit and loss.

(b) As per article 12.19 (b) of Shareholders' agreement together with para 27 of the amendatory agreement (together referred to as 'amended agreement') entered into between MTNL, TCIL, TCL and NVPL (Nepal), together referred to as 'Investors' pursuant to their investment in United Telecom Limited ('UTL'), in case NVPL (the local partner in Nepal) decides to sell its stake to any third party, it requires prior consent of other Investors. Further, at such time, per exit clause in the agreement, any of the other Investors other than NVPL can exit the arrangement after 2 years from the amended agreement by issuing 3 month's notice. Pursuant to this exit clause, the Parent has issued notice to UTL on 30 January, 2018 for making an exit. The notice is valid uptil 30 April 2018 and subsequent to 30 April 2018, the local partner has sought time extension of another 3 months i.e. till 30 July, 2018 for giving effect to the exit requested by the Parent. Accordingly, such investment has been classified as 'held for sale' in the financial statements for year ended 31 March 2018.

Non-recurring fair value measurements

The recoverable amount is expected to be higher than the carrying value of such investment and therefore, no further loss required to be recognised upon classification of such investment as 'held for sale'.

24. EQUITY SHARE CAPITAL

	31 March 2018	31 March 2017
		(₹ in crores)
Authorised capital		
800,000,000 (previous year 800,000,000) equity shares of ₹ 10 each	800.00	800.00
	800.00	**800.00**
Issued, subscribed capital and fully paid up		
630,000,000 (previous year 630,000,000) equity shares of ₹ 10 each fully paid up	630.00	630.00
	630.00	**630.00**

a) Reconciliation of equity shares outstanding at the beginning and at the end of the year.

	31 March 2018		31 March 2017	
	No. of shares	(₹ in crores)	No. of shares	(₹ in crores)
Equity shares at the beginning of the year	630,000,000	630.00	630,000,000	630.00
Increase/ decrease during the year	-	-	-	-
Equity shares at the end of the year	**630,000,000**	**630.00**	**630,000,000**	**630.00**

b) Rights/preferences/restrictions attached to equity shares

The Company has only one class of equity shares having par value of ₹ 10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the Ccompany, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) Details of shareholders holding more than 5% shares in the Parent

	As on 31 March 2018		As on 31 March 2017	
	No. of shares	% holding	No. of shares	% holding
Equity shares of ₹ 10 each fully paid up				
President of India	354,378,740	56.25	354,378,740	56.25
LIC including LIC Fortune Plus secured Fund	118,515,213	18.81	118,515,213	18.81

d) There are no shares issued for consideration other than cash and no shares have been bought back in last five years.
e) There are no shares reserved for issue under options or other purpose.

25. OTHER EQUITY

(₹ in crores)

	31 March 2018	31 March 2017
Retained earnings		
As per last balance sheet	(4,957.19)	(2,123.63)
Add : Net profit/ (loss) for the year	(2,970.93)	(2,936.05)
Add: Remeasurements of employee benefit obligations	2.38	-
Add: Transfer from other comprehensive income	(35.32)	-
Add: Transfer from contingency reserve	-	102.49
Net surplus in statement of profit and loss	**(7,961.05)**	**(4,957.19)**
Other reserve		
General reserve	**0.07**	**0.07**
Debenture redemption reserve	**45.27**	**45.27**
Securities premium account	665.00	665.00
Research and development reserve	30.80	30.80
Contingency reserve		
As per last balance sheet	243.22	345.72
Less: Tranfer to retained earnings	-	(102.49)
	243.22	**243.22**
Other comprehensive income		
As per last balance sheet	(31.04)	1.79
Foreign currency translation for current year	10.40	(3.34)
Transfer of remeasurement of employee benefit obligations to retained earnings	35.32	(29.49)
	14.67	**(31.04)**
	999.05	**953.33**

Nature and purpose of other reserves

(i) Debenture redemption reserve

The Group is required to create a debenture redemption reserve out of the profits which is available for payment of dividend for the purpose of redemption of debentures.

(ii) Securities premium reserve

Securities premium reserve represents premium received on issue of shares. The reserve can be utilised in accordance with the provisions of the Companies Act.

(iii) Contingency reserve

The Group created this reserve for unforeseen tax demands/disallowances by Income tax department under section 80IA of the Income Tax Act, 1961.

(iv) Other Comprehensive Income(OCI)

The Group has recognised remeasurements benefits on defined benefits plans through Other comprehensive income.

(v) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are recognised in other comprehensive income as described in accounting policy and accumulated in a separate reserve within equity. The cumulative amount is reclassified to statement of profit and loss when the net investment is disposed-off.

26. BORROWINGS

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Secured		
Term loans (Net of current maturities)		
From banks	7,274.04	3,992.98
Finance lease obligations		
Obligations under finance leases	40.56	40.57
	7,314.60	**4,033.55**
Unsecured		
Debentures		
Debentures - Series 4D	-	-
[22,689 number of 8.29% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 4C	-	-
[7 number of 8.24% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 4B	-	-
[1,000 number of 8.28% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 4A	-	-
[14,000 number of 8.24% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 3A	-	-
[7650 number of 9.39% Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each less amount recoverable from DoT - refer note(iv) below]		
Debentures - Series 2A*	1,973.73	1,973.51
[19,750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]		
Debentures - Series 1A*	1,004.37	1,004.25
[10,050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]		
	2,978.11	2,977.76
	10,292.71	**7,011.31**
Amount disclosed under other financial liabilities:		
Current maturities of long-term debt	340.00	275.00
Current maturities of finance lease obligations	4.65	4.64
Interest accrued	61.97	70.08

Notes:

(i) No loans have been guaranteed by the directors and others.

(ii) There is no default as on the balance sheet date in the repayment of borrowings and interest thereon.

(iii) These facilities are securred by floating first pari passu charge on all movable fixed assets (classified under property plant and equipment) and current assets. Further, for securing the above term loans letter of comfort was issued by DoT. For repayment terms of the outstanding long-term borrowings (including current maturities) refer the table below:

(a) AS ON 31 MARCH 2018:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
Indian Overseas Bank	220.00	"Repayable in 2 instalments spread on:- July 2018 - ₹ 150 Crores January 2019- ₹ 70 Crores"	8.55%
State Bank of India	1,800.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 45 Crores/quarter (8 instalments) From March 2021 to December 2021, ₹ 90 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 135 Crores/quarter (8 instalments)"	8.49%
Union Bank of India	2,000.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020, ₹ 50 Crore/quarter (8 instalments) From March 2021 to December 2021, ₹ 100 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 150 Crores/quarter (8 instalments)"	8.20%
Andhra Bank	1,000.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 25 Crores/ quarter (8 instalments) From June 2021 to March 2022 - ₹ 50 Crores/ quarter (4 instalments) From March 2022 to December 2023 - ₹ 75 Crores/quarter (8 instalments)"	8.40%
Corporation Bank	1,000.00	"Repayment due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 25 Crores/quarter (8 instalments) From March 2021 to December 2021 - ₹ 50 Crores/quarter (4 instalments) From June 2022 to March 2024 - ₹ 75 Crores/ quarter (8 instalments)"	8.65%
Punjab & Sindh Bank	500.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 12.5 Crores/quarter (8 instalments) From June 2021 to March 2022 - ₹ 25 Crores/ quarter (4 instalments) From March 2022 to December 2023 - ₹ 37.5 Crores/quarter (8 instalments)"	8.75%
United Bank	300.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 7.5 Crores/quarter (8 instalments) From June 2021 to March 2022 - ₹ 15 Crores/ quarter (4 instalments) From March 2022 to December 2023 - ₹ 22.5 Crores/quarter (8 instalments)"	8.80%
Oriental Bank of Commerce	500.00	"Repayment due in 20 instalments spread on:- From Mar-20 to Dec 2021 - ₹ 12.5 Crores/ quarter (8 instalments) From Mar 2022 to Dec 2022 - ₹ 25 Crores/ quarter (4 instalments) From March 2023 to December 2024 - ₹ 37.5 Crores/quarter (8 instalments)"	8.35%

Punjab & Sindh Bank	200.00	"Repayment due in 20 instalments spread on:- From Jun-20 to Mar 2022 - ₹ 5 Crores/quarter (8 instalments) From Jun 2022 to Mar 2023 - ₹ 10 Crores/quarter (4 instalments) From Jun 2023 to Mar 2025 - ₹ 15 Crores/quarter (8 instalments)"	8.40%
Bank of India	100.00	"Repayment due in 20 instalments spread on:- From Apr-20 to Jan 2022 - ₹ 2.5 Crores/quarter (8 instalments) From Apr 2022 to Jan 2023 - ₹ 5 Crores/quarter (4 instalments) From Apr 2023 to Jan 2025 - ₹ 7.5 Crores/quarter (8 instalments)"	8.30%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	(5.96)		
Less: Current maturities of long term debt	(340.00)		
Long term borrowings	**7,274.04**		

Rate of interest- The Group's total borrowings from banks and others have a effective weighted average rate of 8.53% per annum calculated using the interest rate effective as on 31 March 2018.

(b) AS ON 31 MARCH 2017:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
Indian Overseas Bank	495.00	"Repayable in 4 instalments spread on:- July 2017 - ₹ 125 Crores January 2018 - ₹ 150 Crores July 2018 - ₹ 150 Crores January 2019- ₹ 70 Crores"	8.65%
State Bank of India	1,000.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 25 Crores/quarter (8 instalments) From March 2021 to December 2021, ₹ 50 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 75 Crores/quarter (8 instalments)"	8.34%
Union Bank of India	1,675.00	"Repayable due in 20 instalments spread on:- From March 2019 to December 2020, ₹ 41.875 Crore/quarter (8 instalments) From March 2021 to December 2021, ₹ 83.75 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 instalments)"	8.50%
Andhra Bank	850.00	"Repayment due in 20 instalments spread on:- From June 2019 to March 2021 - ₹ 21.25 Crores/quarter (8 instalments) From June 2021 to March 2022 - ₹ 42.50 Crores/quarter (4 instalments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 instalments)"	8.65%

Corporation Bank	250.00	"Repayment due in 20 instalments spread on:- From March 2019 to December 2020 - ₹ 6.25 Crores/quarter (8 instalments) From March 2021 to December 2021 - ₹ 12.50 Crores/quarter (4 instalments) From June 2022 to March 2024 - ₹ 63.75 Crores/quarter (8 instalments)"	8.75%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	(2.02)		
Less: Current maturities of long term debt	(275.00)		
Long term borrowings	**3,992.98**		

***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 March 2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on the reporting 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 December 2023. The coupon payment frequency is semi annual interest payment. There was no instalment due as on the reporting date.

Rate of interest- The Company's total borrowings from banks and others have a effective weighted average rate of 10.40% per annum calculated using the interest rate effective as on 31 March 2016.

(iv) Government of India approved the financial support to the Parent in the year 2014 and on surrender of Broadband Wireless Access (BWA) Spectrum by MTNL, upfront charges paid by the Parent in the year 2011 for such spectrum amounting to ₹ 4,533.97 crores were agreed to be funded by way of issuance of debentures by the Parent on behalf of Government of India (GOI) and for which GOI provided sovereign guarantee with attendant condition for repayment of principal on maturity as well as the interest payments through DOT. Accordingly, the Parent does not have any liability towards repayment of principal and interest on the bonds issued and has been offset against the amount recoverable from DoT of equivalent amount.

(v) For details on repayment schedule of finance lease obligations, refer note 54(B).

(vi) Refer note 46 - Financial instruments for disclosure of fair values in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

(vii) Reconciliation of financial liabilities arising from financing activities:

				(₹ in crores)
Particulars	**Finance lease obligations**	**Long term borrowings**	**Short-term borrowings**	**Total**
Net debt as at 1 April 2017	**380.57**	**7,031.06**	**7,910.24**	**15,321.88**
Cash flows:				
- Proceeds	-	3,625.00	750.00	4,375.00
- Repayment	(5.16)	(275.00)	(2,278.15)	(2,558.31)
Interest expense	5.16	532.46	623.02	1,160.63
Interest paid	-	0.35	(623.02)	(622.67)
Net debt as at 31 March 2018	**380.56**	**10,913.87**	**6,382.10**	**17,676.54**

27. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
	Non-current	Non-current
Security deposits	133.65	160.39
Employee related payables - GPF of MTNL Optee	1,861.90	1,890.23
	1,995.55	**2,050.61**

Refer note 46 - Fair value disclosures for disclosure of fair value in respect of financial liabilities measured at amortised cost and analysis of their maturity profiles.

28. LONG-TERM PROVISIONS

(₹ in crores)

	31 March 2018	31 March 2017
Provision for employee benefits		
Provision for leave encashment	931.36	957.17
Provision for pension	88.68	168.09
Provision for gratuity	16.15	21.95
Provision for asset retirement obligations	13.48	11.97
	1,049.67	**1,159.18**

(i) Information about individual provisions and significant estimates

(a) Provision for asset retirement obligations

The Group as part of its business installs wireless telecommunication towers and other equipment for facilitating telecommunication services to its customers and is under an obligation to decommission the tower and replenish the site at end of useful life of the tower and other equipment. For the purpose of same Appendix A to Ind AS 16, "Property, Plant and Equipment" states measurement of Property, plant and equipment to include initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The Group has estimated the cost of dismantling based on independent bids received from open market and the same have been escalated using the expected inflation rate (6% per annum) and discounted at the rates prevailing at each period end date.

(b) For disclosures required related to provision for employee benefits, refer note 50 - Employee benefit obligations

(ii) Movement in provision related to asset retirement obligations during the financial year:

(₹ in crores)

	31 March 2018	31 March 2017
As at beginning of reporting period	**11.97**	**10.66**
Additions during the year	0.45	0.32
Amounts used during the year on account of dismantled towers	(0.17)	(0.19)
Increase in the discounted amount arising from the passage of time and effect of any change in discount rate	1.22	1.17
As at end of reporting period	**13.48**	**11.97**

29. DEFERRED TAX LIABILITIES (NET)

(₹ in crores)

	31 March 2018	31 March 2017
Deferred tax liability arising on account of :		
Difference in carrying value of property, plant & equipment	9.29	9.32
between accounts and tax		
Deferred tax asset arising on account of :		
Carry forward of unabsorbed business losses	(3.53)	(4.64)
Provision for doubtful debts and advances	(0.04)	(0.08)
	5.71	**4.60**

Notes:

(i) Movement in deferred tax liabilities for year ended 31 March 2018:

				(₹ in crores)
Particulars	**1 April 2017**	**Recognised in statement of profit and loss**	**Recognised in other comprehensive income**	**31 March 2018**
Non-current assets				
Property plant and equipment	9.32	(0.44)	0.41	9.29
Current assets				
Trade and other receivable	(0.08)	0.04	-	(0.04)
Current liabilities				
Unused tax losses	(4.64)	1.11	-	(3.53)
Total	**4.60**	**0.71**	**0.41**	**5.71**

(ii) Movement in deferred tax liabilities for year ended 31 March 2017:

				(₹ in crores)
Particulars	**01 April 2016**	**Recognised in statement of profit and loss**	**Recognised in other comprehensive income**	**31 March 2017**
Non-current assets				
Property plant and equipment	9.48	(0.04)	(0.11)	9.32
Current assets				
Trade and other recievable	(0.25)	0.17	-	(0.08)
Current liabilities				
Unused tax losses	(5.32)	0.67	-	(4.64)
Total	**3.91**	**0.80**	**(0.11)**	**4.60**

(iii) The Group does not recognise deferred tax liability (31 March 2018 : ₹ 2.21 crores and 31 March 2017: ₹ 1.20 crores) with respect to unremitted retained earnings and associated foreign currency translation reserve of subsidiaries and joint venture wherever it controls the timing of the distribution of profits and it is probable that the subsidiaries, joint venture and associate will not distribute the profits in the foreseeable future. Also, the Group does not recognises deferred tax liability on the unremitted earnings of its subsidiaries wherever it believes that it would avail the tax credit for the dividend distribution tax payable by the subsidiaries on its dividend distribution.

(iv) The Group offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same tax authority.

30. OTHER NON-CURRENT LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
Deferred income	172.20	202.49
Deferred activation/ installation charges	21.72	25.55
	193.92	**228.04**

31. SHORT-TERM BORROWINGS

(₹ in crores)

	31 March 2018	31 March 2017
Unsecured		
From banks		
Cash credit from banks	5,632.09	6,010.24
Short term loans	750.00	1,900.00
	6,382.09	**7,910.24**

The carrying values of above are considered to be a reasonable approximation of their fair values.

32. TRADE PAYABLES

(₹ in crores)

	31 March 2018	31 March 2017
Due to micro and small enterprises (refer note 59)	-	-
Due to others	331.49	407.54
Other accrued liabilities	97.29	30.44
	428.78	**437.98**

The carrying values of above are considered to be a reasonable approximation of their fair values.

33. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
Current maturities of		
- Long-term debt	340.00	275.00
- Finance lease obligations	4.65	4.64
Interest accrued		
- Not due on bonds	60.33	60.33
- Not due on borrowings	1.64	9.75
- Not due on deposits	0.07	0.10
Security deposits	120.82	163.98
Due to employees	184.28	191.60
Amount payable to contractors other than goods and services	492.69	411.66
Amount payable to other operators	22.31	25.94
Other payables	115.61	122.21
	1,342.40	**1,265.21**

Refer note 46 - Fair value disclosures for disclosure of fair value in respect of financial liabilities measured at amortised cost.

34. OTHER CURRENT LIABILITIES

(₹ in crores)

	31 March 2018	31 March 2017
Advances received	298.93	401.48
Statutory dues	266.95	247.47
Deferred income	25.56	27.20
Deferred activation/ installation charges	6.65	8.15
	598.09	**684.31**

35. SHORT-TERM PROVISIONS

(₹ in crores)

	31 March 2018	31 March 2017
Provision for employee benefits		
Provision for leave encashment - Company employees	182.03	159.93
Provision for leave encashment - Others	0.46	0.33
Provision for pension - Company employees	107.21	106.05
Provision for pension - Others	0.82	0.33
Provision for gratuity - Company employees	26.26	31.66
Provision - others		
Provision for others	17.51	17.33
	334.30	**315.63**

(i) Movement in provision related to others during the financial year:

(₹ in crores)

	31 March 2018	31 March 2017
As at beginning of reporting period	17.33	16.38
Additions during the year	0.18	0.95
Amounts used during the year	-	-
As at end of reporting period	**17.51**	**17.33**

(ii)For disclosures required related to provision for employee benefits, refer note 50 - Employee benefit obligations

36. REVENUE FROM OPERATIONS

(₹ in crores)

	31 March 2018	31 March 2017
Fixed Telephone income		
Revenue - Telephone calls and other charges	251.32	402.10
Revenue - Fixed telephone monthly charges	511.34	556.01
Revenue - Telephone (Franchise services)	12.05	20.41
Revenue - Access calls and other charges	15.88	9.70
Revenue - Rent and junction charges	57.36	39.27
Revenue - Broadband	593.27	760.37
Revenue - ISDN call charges	22.95	33.85
Revenue - ISDN call rental	50.72	49.46
Enterprise business		
Revenue - Local circuits	314.19	305.10
Revenue - Long distance circuits	6.80	52.85
Mobile revenue		
Revenue - Activation charges	0.52	0.64
Revenue - Mobile rental and call charges	42.01	168.91
Revenue - Income from roaming	119.66	38.24
Revenue - Prepaid trump	124.87	156.12
Revenue - IUC income	49.63	192.20
Revenue - VAS	50.41	70.87
Others		
Revenue - Free phone services	72.85	74.53
Revenue - Internet	43.13	17.99
Revenue - Premium rate services	0.19	0.19
Revenue - Other services	25.56	-
Other operating revenues		
Other operating revenues - Surcharge on delayed payment	11.88	12.33
Other operating revenues - Revenue from enterprise business	88.38	8.23
Other operating revenues - Revenue from sale of goods	6.89	-
	2,471.86	**2,969.37**

37. OTHER INCOME

(₹ in crores)

	31 March 2018	31 March 2017
Interest on :		
Interest from bank	2.48	2.70
Interest on advance to employees	4.29	6.23
Other interest income	255.26	300.38
Interest on income tax refund	-	93.34
	262.03	**402.65**
Other income		
Sale of directories, pub. etc.	0.17	0.14
Gain on sale of property, plant and equipment (net)	-	1.24
Income from liquidated damages	9.01	6.95
Exchange variation (net)	0.65	0.78
Bad debts recovered	0.06	0.13
Credit balances written back	182.77	45.94
Rental on quarters/ hostels etc.	21.53	17.59
Rental income from properties	225.92	189.88
Miscellaneous income	43.20	20.02
	483.32	**282.67**
	745.34	**685.32**

38. LICENSE FEES EXPENSE

(₹ in crores)

	31 March 2018	31 March 2017
License fees expenses	173.11	237.63
Spectrum charges	18.25	41.13
	191.36	**278.76**

39. EMPLOYEE BENEFIT EXPENSE

(₹ in crores)

	31 March 2018	31 March 2017
Salaries, wages allowances & other benefits	2,238.74	2,377.71
Medical expenses and allowances	96.11	90.61
Pension contribution		
i) Group employees	106.98	116.70
ii) Others	2.01	1.36
Leave encashment		
i) Group employees	111.04	146.31
ii) Others	1.29	0.94
Contribution to gratuity fund	21.90	12.00
Contribution to provident & other funds	64.63	67.49
Staff welfare expenses	0.40	0.81
	2,643.08	**2,813.95**
Less : Allocation to capital/CWIP	(194.29)	(162.93)
	2,448.79	**2,651.02**

For descriptive notes on disclosure of defined benefit obligation, refer note 50 - Employee benefit obligations.

40. FINANCE COSTS

(₹ in crores)

	31 March 2018	31 March 2017
Interest on		
- term loans	538.99	242.65
- cash credit facility	510.50	677.16
- short-term loan facility	112.52	156.83
- bonds	272.74	276.13
- customer deposits	0.17	13.33
- others	47.30	52.68
Other finance costs		
- commitment fees	29.80	29.80
	1,512.02	**1,448.57**
Less : Allocation to CWIP	(6.53)	(0.10)
	1,505.49	**1,448.47**

41. DEPRECIATION AND AMORTISATION EXPENSE

(₹ in crores)

	31 March 2018	31 March 2017
Depreciation on		
Property, plant and equipment	714.86	771.29
Investment properties	1.56	2.12
Amortisation on		
Intangible assets	337.07	339.89
	1,053.50	**1,113.30**

42. OTHER EXPENSES

(₹ in crores)

	31 March 2018	31 March 2017
Power, fuel & water	252.71	266.81
Rent	99.90	94.15
Repairs to buildings	33.45	31.64
Repairs to machinery	123.30	138.50
Repairs others	28.57	34.79
Insurance	5.34	5.61
Rates and taxes	56.22	65.87
Travelling & conveyance	0.92	0.62
Postage, telegram & telephones	8.70	8.70
Printing & stationery	5.69	6.52
Vehicle maintenance expenses	0.51	0.65
Vehicle running expenses	1.25	1.60
Vehicle hiring expenses	10.33	9.49
Advertisement & promotional expenses	4.68	5.30
Bad debts written off	22.73	26.83
Legal & Professional expenses	6.36	4.71
Seminar and training charges	0.40	1.16
Security service expenses	30.43	25.18
Loss on sale of property, plant and equipment (net)	1.44	6.05
Internet charges	13.07	14.81
Loss of assets	10.90	-
Provision for abandoned work- capital work-in-progress	13.05	-
Commission	9.68	22.28
Net loss on foreign currency transactions and translations	-	0.05
Provision for doubtful debts including discount	21.06	36.30
Provision for obsolete inventory	0.75	1.89
Provision for doubtful claims	6.66	21.18
Miscellaneous expenses	41.24	47.94
Less: Allocation to CWIP	(0.01)	(25.07)
	809.33	**853.55**

***Legal and professional expenses includes payments to Group auditor**

As Auditor:		
Audit fee	0.45	0.39
Tax audit fee	0.08	0.08
Certification and other services	0.21	0.20
For reimbursement of expenses	0.12	0.11
	0.85	**0.78**

43. TAX EXPENSE

(₹ in crores)

	31 March 2018	31 March 2017
Current tax (including taxes earlier years)	0.18	(4.31)
Deferred tax	0.71	0.80
	0.90	**(3.51)**

The major components of income tax expense and the reconciliation of expense based on the domestic effective tax rate of at 34.608% and the reported tax expense in profit or loss are as follows:

(₹ in crores)

	31 March 2018	31 March 2017
Accounting profit/(loss) before income tax	(2,970.46)	(2,939.56)
- From continuing operations	0.42	-
- From discontinued operations	**(2,970.03)**	**(2,939.56)**
Total accounting loss before tax	(1,027.87)	(1,016.11)
At country's statutory income tax rate of 34.608% (31 March 2017: 34.608%)	-	(4.31)
Adjustments in respect of taxes earlier years	133.15	146.03
Difference in property, plant and equipment as per books and Income Tax Act, 1961	31.57	58.54
Non-deductible expenses for tax purposes	(37.41)	8.77
Employee benefits allowed on payment basis	(1.58)	0.80
Others	899.88	806.28
Deferred tax not created on losses for current year	3.17	-
Tax rate differential	**0.90**	**-**

(i) The Parent has unabsorbed depreciation and brought forward business losses amounting to ₹ 11,234.61 crores as on 31 March 2018 on which no deferred tax asset has been recognised. Deferred tax asset shall be created in the year in which the Parent will have reasonable certainty of future taxable income as required by Indian Accounting Standard 12 - "Income Taxes" as specified under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016.

(ii) Details of year wise expiry are given below:

Particulars	Year of origination	Year of expiry	Amount
Brought forward losses	Assessment year 2013-14	Financial year 2021-22	1,057.11
Brought forward losses	Assessment year 2015-16	Financial year 2023-24	1,941.74
Brought forward losses	Assessment year 2016-17	Financial year 2024-25	1,042.33
Brought forward losses	Assessment year 2017-18	Financial year 2025-26	2,242.83
Unabsorbed depreciation	Multiple	Indefinite	4,950.60

44. OTHER COMPREHENSIVE INCOME

(₹ in crores)

	31 March 2018	31 March 2017
(A) Items that will not be reclassified to profit or loss		
Re-measurement gains (losses) on defined benefit plans	2.38	(29.49)
Income tax effect	-	-
	2.38	**(29.49)**
(B) Items that will be reclassified to profit or loss	-	-
Foreign currency translation of foreign operations	10.40	(3.34)
Income tax effect	-	-
	10.40	**(3.34)**
Other comprehensive loss for the year	**12.78**	**(32.83)**

45. EARNINGS PER EQUITY SHARE

The Parent's Earnings Per Share ('EPS') is determined based on the net profit attributable to the shareholders' of the Parent. Basic earnings per share is computed using the weighted average number of shares outstanding during the year. Diluted earnings per share is computed using the weighted average number of common and dilutive common equivalent shares outstanding during the year including share options, except where the result would be anti-dilutive.

(₹ in crores)

	31 March 2018	31 March 2017
Net loss attributable to equity shareholders		
Continuing operations	(2,971.35)	(2,936.05)
Discontinued operation	0.42	-
Net Loss attributable to equity holders of the Company	**(2,970.93)**	**(2,936.05)**
Loss per equity share for loss from continuing operations:		
Nominal value of equity share (`)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	630,000,000	630,000,000
Basic and diluted loss per share (`)	**(47.16)**	**(46.60)**
Earnings per equity share for profit from discontinued operations:		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	630,000,000	630,000,000
Basic and diluted earnings per share (₹)	**0.01**	**-**
Loss per equity share for loss from continuing and discontinued operations:		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	630,000,000	630,000,000
Basic and diluted loss per share (₹)	**(47.16)**	**(46.60)**

46. FAIR VALUE DISCLOSURES

I Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are divided into three Levels of a fair value hierarchy.The three levels are defined based on the observability of significant inputs to the measurement, as follows:

Level 1: quoted prices (unadjusted) in active markets for financial instruments.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data rely as little as possible on entity specific estimates.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

II Financial assets and liabilities measured at fair value - recurring fair value measurements

III. Fair value of instruments measured at amortised cost

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows:

(₹ in crores)

Particulars	Level	31 March 2018		31 March 2017	
		Carrying value	Fair value	Carrying value	Fair value
Financial assets					
Loans	Level 3	4,607.29	4,632.58	2,683.98	3,502.06
Other financial assets	Level 3	897.73	897.73	864.23	864.23
Total financial assets		**5,505.02**	**5,530.31**	**3,548.21**	**4,366.29**
Borrowings	Level 3	10,592.14	10,720.91	7,245.74	7,474.79
Finance lease obligations	Level 3	45.21	61.12	45.21	51.79
Other financial liabilities	Level 3	2,993.30	2,976.44	2,050.61	2,081.68
Total financial liabilities		**13,630.65**	**13,758.46**	**9,341.55**	**9,608.26**

The management assessed that cash and cash equivalents, other bank balances, trade receivables, other receivables, trade payables and short-term borrowings approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

(i) Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and other market risk factors. Based on this evaluation, allowances are taken into account for the expected credit losses of these receivables.

(ii) The fair values of the Group's interest-bearing borrowings, loans and receivables are determined by applying discounted cash flows ('DCF') method, using discount rate that reflects the issuer's borrowing rate as at the end of the reporting period. The own non-performance risk as at 31 March 2018 was assessed to be insignificant.

47. FINANCIAL RISK MANAGEMENT

(i) Financial instruments by category

(₹ in crores)

Particulars	31 March 2018			31 March 2017		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets						
Investments*	-	-	-	-	-	-
Loans	-	-	4,607.29	-	-	5,495.38
Other financial assets	-	-	897.73	-	-	864.23
Trade receivables	-	-	425.40	-	-	492.16
Cash and cash equivalents	-	-	105.33	-	-	98.07
Other bank balances	-	-	11.41	-	-	16.70
Total	**-**	**-**	**6,047.16**	**-**	**-**	**6,966.54**
Financial liabilities						
Borrowings	-	-	16,674.79	-	-	14,921.55
Trade payable	-	-	428.78	-	-	437.98
Other financial liabilities	-	-	3,337.95	-	-	3,315.82
Total	**-**	**-**	**20,441.52**	**-**	**-**	**18,675.35**

*Investment in equity instrument of joint ventures and associates have been accounted using equity method of accoutning and hence, not presented here.

(ii) Risk Management

The Group's activities expose it to market risk, liquidity risk and credit risk. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Management
Credit risk	Cash and cash equivalents, trade receivables, financial assets measured at amortised cost	Aging analysis	Bank deposits, diversification of asset base, credit limits and collateral.
Liquidity risk	Borrowings and other liabilities	Rolling cash flow forecasts	Availability of committed credit lines and borrowing facilities
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting	Forward contract/hedging, if required
Market risk - interest rate	Long-term borrowings at variable rates	Sensitivity analysis	Negotiation of terms that reflect the market factors
Market risk - security price	Investments in equity securities	Sensitivity analysis	Group presently does not make any investments in equity shares, except for entities where it exercises control or joint control or significant influence.

The Group's risk management is carried out by a central treasury department (of the Parent) under policies approved by the board of directors. The board of directors provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

A. Credit risk

"Credit risk is the risk that a counterparty fails to discharge an obligation to the Group. The Group is exposed to this risk for various financial instruments, for example by granting loans and receivables to customers, placing deposits, etc. The Group's maximum exposure to credit risk is limited to the carrying amount of following types of financial assets.
- cash and cash equivalents,

- trade receivables,

- loans & receivables carried at amortised cost, and

- deposits with banks and financial institutions."

a. Credit risk management

The Group assesses and manages credit risk based on internal credit rating system, continuously monitoring defaults of customers and other counterparties, identified either individually or by the Group, and incorporates this information into its credit risk controls. Internal credit rating is performed for each class of financial instruments with different characteristics. The Group assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

A: Low

B: Medium

C: High

Assets under credit risk – **(₹ in crores)**

Credit rating	Particulars	31 March 2018	31 March 2017
A: Low	Loans	4,607.29	5,495.38
	Other financial assets	886.92	843.84
	Bank deposits	22.22	37.10
	Cash and cash equivalents	105.33	98.07
B: Medium	Trade receivables	425.40	492.16
D: High	Trade receivables	877.79	853.90
	Investments	100.00	100.00
	Loans	12.56	16.61
	Other financial assets	107.69	113.05
	Cash and cash equivalents	0.56	0.56

Cash & cash equivalents and bank deposits

Credit risk related to cash and cash equivalents and bank deposits is managed by only accepting highly rated banks and diversifying bank deposits and accounts in different banks across the country.

Trade receivables

Credit risk related to trade receivables are mitigated by taking bank guarantees from customers where credit risk is high. The Group closely monitors the credit-worthiness of the debtors through internal systems that are configured to define credit limits of customers, thereby, limiting the credit risk to pre-calculated amounts. The Group assesses increase in credit risk on an ongoing basis for amounts receivable that become past due and default is considered to have occurred when amounts receivable become past due in each business segment as follows:

(i) Cellular: Six months past due

(i) Basic & other services: Three years past due

Other financial assets measured at amortised cost

Other financial assets measured at amortized cost includes loans and advances to employees, security deposits and others. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously, while at the same time internal control system in place ensure the amounts are within defined limits.

b. Expected credit losses

The Group provides for expected credit losses based on the following:

Trade receivables

(i) The Group recognizes lifetime expected credit losses on trade receivables using a simplified approach, wherein Group has defined percentage of provision by analysing historical trend of default relevant to each business segment based on the criteria defined above. And such provision percentage determined have been considered to recognise life time expected credit losses on trade receivables (other than those where default criteria are met).

				(₹ in crores)
Particulars	**31 March 2018**		**31 March 2017**	
	Basic & other services	**Cellular**	**Basic & other services**	**Cellular**
Gross amount of sales	6,801.84	27.82	7,427.06	33.28
Expected loss rate	0.75%	14.88%	0.83%	10.86%

Expected credit loss(loss allowance provision)	50.72	4.14	61.56	3.62
Receivables due from customers where specific default has occurred	607.48	215.45	579.80	208.92

During the periods presented, the Group made no write-offs of trade receivables.

(ii) Reconciliation of loss allowance provision from beginning to end of reporting period:

	(₹ in crores)
Reconciliation of loss allowance	**Trade receivables**
Loss allowance on 01 April 2016	(797.82)
Add (Less): Changes in loss allowances due to	
Assets originated or purchased	(56.08)
Loss allowance on 31 March 2017	**(853.90)**
Add (Less): Changes in loss allowances due to	
Assets originated or purchased	(23.89)
Loss allowance on 31 March 2018	**(877.79)**

Other financial assets measured at amortised cost

Group provides for expected credit losses on loans and advances other than trade receivables by assessing individual financial instruments for expectation of any credit losses. Since this category includes loans and receivables of varied natures and purpose, there is no trend that the Group can draw to apply consistently to entire population For such financial assets, the Group's policy is to provides for 12 month expected credit losses upon initial recognition and provides for lifetime expected credit losses upon significant increase in credit risk. The Group does not have any expected loss based impairment recognised on such assets considering their low credit risk nature, though incurred loss provisions are disclosed under each sub-category of such financial assets.

B. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the nature of the business, the Group maintains flexibility in funding by maintaining availability under committed facilities. Management monitors rolling forecasts of the Group's liquidity position and cash and cash equivalents on the basis of expected cash flows. The Group takes into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements and maintaining debt financing plans.

a) Financing arrangements

The Group had access to the following undrawn borrowing facilities at the end of the reporting period:

						(₹ in crores)
	31 March 2018			**31 March 2017**		
Paritculars	**Total facility**	**Drawn**	**Undrawn**	**Total facility**	**Drawn**	**Undrawn**
0-1 year	8,440.00	6,722.09	1,717.91	8,775.00	8,185.24	589.76
1-2 years	672.50	672.50	-	340.00	340.00	-
More than 2 years	6,607.50	6,607.50	-	3,655.00	3,655.00	-
Total	**15,720.00**	**14,002.09**	**1,717.91**	**12,770.00**	**12,180.24**	**589.76**

b) Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity based on their contractual maturities for all non-derivative financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

(₹ in crores)

31 March 2018	Less than 1 year	1-3 year	3-5 year	More than 5 years	Total
Non-derivatives					
Long term borrowings (including bonds)	1,242.55	3,192.54	5,934.22	4,246.30	**14,615.62**
Finance lease obligations	5.16	10.32	10.32	380.78	**406.58**
Short term borrowings	6,382.09	-	-	-	**6,382.09**
Trade payable	428.78	-	-	-	**428.78**
Other financial liabilities	1,343.39	15.82	4.29	2,199.71	**3,563.22**
Total	**9,401.97**	**3,218.68**	**5,948.83**	**6,826.80**	**25,396.28**

(₹ in crores)

31 March 2017	Less than 1 year	1-3 year	3-5 year	More than 5 years	Total
Non-derivatives					
Long term borrowings (including bonds)	817.90	1,699.37	2,176.61	5,309.32	10,003.20
Finance lease obligations	4.96	9.92	9.92	373.93	398.73
Short term borrowings	7,910.24	-	-	-	7,910.24
Trade payable	437.98	-	-	-	437.98
Other financial liabilities	1,265.21	-	-	2,314.62	3,579.83
Total	**10,436.29**	**1,709.29**	**2,186.52**	**7,997.88**	**22,329.98**

C. Market Risk

a) Foreign currency risk

The Group is exposed to foreign exchange risk arising from foreign currency transactions, primarily with respect to the US Dollar and Euro. Foreign exchange risk arises from recognised assets and liabilities denominated in a currency that is not the functional currency of any of the Group entities. Considering the low volume of foreign currency transactions, the Group's exposure to foreign currency risk is limited and the Group hence does not use any derivative instruments to manage its exposure. Also, the Group does not use forward contracts and swaps for speculative purposes.

i) Foreign currency risk exposure in USD:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in`, are as follows

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Financial assets	8.58	6.61
Financial liabilities	9.94	15.11
Net exposure to foreign currency risk assets/(liabilities)	**(1.36)**	**(8.50)**

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
USD sensitivity		
INR/USD- increase by 500 bps (31 March 2017 500 bps)*	(0.07)	(0.42)
INR/USD- decrease by 500 bps (31 March 2017 500 bps)*	0.07	0.42

** Holding all other variables constant*

(ii) Foreign currency risk exposure in EURO:

The Group's exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Financial assets	2.90	2.33
Financial liabilities	0.24	0.19
Net exposure to foreign currency risk assets/(liabilities)	**2.66**	**2.13**

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
EURO sensitivity		
INR/EURO- increase by 500 bps (31 March 2016 500 bps)*	0.13	0.11
INR/EURO- decrease by 500s bps (31 March 2016 500 bps)*	(0.13)	(0.11)

** Holding all other variables constant*

b) Interest rate risk

(i) Liabilities

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2018 and 31 March 2017, the Group is exposed to changes in interest rates through bank borrowings at variable interest rates. The Group's investments in fixed deposits carry fixed interest rates.

Interest rate risk exposure

Below is the overall exposure of the Group to interest rate risk:

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Variable rate borrowing - long term	7,614.04	4,267.98
Variable rate borrowing - short term	6,382.09	7,910.24
Fixed rate borrowing	2,978.11	2,977.76
Total borrowings	**16,974.23**	**15,155.98**

Sensitivity

Below is the sensitivity of profit or loss and equity changes in interest rates.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
'Interest sensitivity*		
Interest rates – increase by 50 bps basis points	69.98	60.89
Interest rates – decrease by 50 bps basis points	(69.98)	(60.89)

** Holding all other variables constant*

ii) Assets

The Groiup's fixed deposits are carried at amortised cost and are fixed rate deposits. They are therefore not subject to interest rate risk as defined in Ind AS 107, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

c) Price risk

The Group does not have any significant investments in equity instruments which create an exposure to price risk.

48. CAPITAL MANAGEMENT

The Group' s capital management objectives are

- to ensure the Group's ability to continue as a going concern

- to provide an adequate return to shareholders

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of balance sheet.

Management assesses the Group's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Group's various classes of debt. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Net debt	10,632.71	7,286.31
Total equity	(6,332.01)	(3,373.86)
'Net debt to equity ratio*	-	-

The Group has not declared dividend in current year or previous year.

*Owing to equity being negartive as at 31 March 2018 and 31 March 2017, debt to equity ratio has been shown as nil.

49. GROUP INFORMATION

(a) Information about subsidiaries

The Parent's subsidiaries at 31 March 2018 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Parent, and the proportion of ownership interests held equals the voting rights held by the Parent. The country of incorporation or registration is also their principal place of business.

Name of the entity	Principal activities	County of incorporation	% equity Interest	
			31 March 2018	31 March 2017
Mahanagar Telephone Nigam Limited	Telecommunication service	India	100	100
Millenium Telecom Limited	Information technology/data	India	100	100
Mahanagar Telephone (Mauritius) Ltd	Telecommunication service	Mauritius	100	100
MTML Data Limited*	Telecommunication service	Mauritius	100	100
MTML International Limited*	Telecommunication service	Mauritius	100	100

*These companies are step down subsidiaries of the Mahanagar Telephone (Mauritius) Limited.

(b) Interests in associates and joint ventures

Set out below are the associates and joint ventures of the Parent as at 31 March 2018 which, in the opinion of the directors, are material to the Parent. The entities listed below have share capital consisting solely of equity shares, which are held directly by the Parent. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of the entity	Place of business	% equity Interest	Relationship	Accounting method
United Telecommunications Limited*	Nepal	26.68	Associate	Equity method
MTNL STPI IT Services Limited*	India	50.00	Joint Venture	Equity method

(1) UTL provides basic, mobile, NLD, ILD and data services in Nepal.

(2) MSITS aims to provide exclusive data center services, messaging services, business application services to the identified sectors of economic activity and thereby also popularizing the .in domain in the networked community across the world.

*Unlisted entity - no quoted price available

** In the current year, the Parent has made a proposal to UTL for sale of its stake and such investment has been classified as 'held for sale'. Refer note 23 for details.

(i) There are no commitments and contingent liabilities in respect of associates and joint ventures for which the Parent is liable.

(ii) Summarised financial information for associate and joint venture

The tables below provide summarised financial information for those joint ventures and associates that are material to the Parent. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not Mahanagar Telephone Nigam Limited's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments made at the time of acquisition and modifications for differences in accounting policies.

(₹ in crores)

Summarised balance sheet	United Telecommunications Limited		MTNL STPI IT Services Limited	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Current assets				
Cash and cash equivalents	1.31	0.20	7.28	6.42
Other assets	21.91	40.21	0.42	0.68
Total current assets	**23.22**	**40.40**	**7.70**	**7.09**
Total non-current assets	**27.67**	**19.81**	**1.40**	**1.81**
Current liabilities				
Trade payables	-	-	0.03	-
Financial liabilities(excluding trade payables)	-	-	0.23	0.53
Other liabilities	38.64	33.72	2.84	1.32
Total current liabilities	**38.64**	**33.72**	**3.10**	**1.84**
Non-current liabilities				
Financial liabilities(excluding trade payables)	-	-	-	-
Other liabilities	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**
Net assets	**12.25**	**26.49**	**6.00**	**7.06**

Reconciliation to carrying amounts (₹ in crores)

	United Telecommunications Limited		MTNL STPI IT Services Limited	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Opening net assets	26.49	57.74	7.06	5.01
Profit/ (loss) for the year	(60.16)	(47.18)	1.69	1.38
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Other equity - Convertible loan (not forming of equity method)	45.91	15.93	-	-
Closing net assets	**12.25**	**26.49**	**8.75**	**6.40**
Group's share in %	26.68%	26.68%	50.00%	50.00%
Group's share in Indian Rupees	3.27	7.07	4.37	3.20
Less: Contribution from other shareholders not adjusted in equity method	(40.22)	(27.97)	-	-
Add: Share of loss limited to carrying value of investment	36.95	20.90	-	-
Carrying amount	**(0.00)**	**(0.00)**	**4.37**	**3.20**

Summarised statement of profit and loss (₹ in crores)

	United Telecommunications Limited		MTNL STPI IT Services Limited	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Revenue	1.88	6.14	5.02	5.40
Interest income	-	-	0.77	0.30
Depreciationa and amortisation	17.56	15.84	(0.26)	0.32

Income tax expense	**-**	**-**	**(0.65)**	**0.66**
Profit from continuing operations	(60.16)	(47.18)	1.69	1.38
Profit from discontinued operations	-	-	-	-
Profit for the year	(60.16)	(47.18)	1.69	1.38
Other comprehensive income	-	-	-	-
Total comprehensive income	**(60.16)**	**(47.18)**	**1.69**	**1.38**
Dividends received	-	-	-	-

50. EMPLOYEE BENEFIT OBLIGATIONS

(₹ in crores)

Particulars	31 March 2018		31 March 2017	
	Current	Non-current	Current	Non-current
Gratuity	62.68	325.47	50.55	330.16
Compensated absences (unfunded)	182.03	931.36	159.93	957.17
Total	**244.71**	**1,256.83**	**210.48**	**1,287.33**

Gratuity

The Company provides for gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees last drawn basic salary per month computed proportionately for 15 days salary multiplied for the number of years of service. For the funded plan, the Company makes contributions to recognised debt base funds in India. The Company does not fully fund the liability and maintains a target level of funding to be maintained over a period of time based on estimations of expected payments. The expected contribution to the plan for next annual reporting period amounts to ₹ 20.33 crores (previous year - ₹ 19.87 crores). The weighted average duration of the defined benefit obligation as at 31 March 2018 is 7 to 8 years years (31 March 2017: 7 to 8 years).

A Disclosure of gratuity

(i) Amount recognised in the statement of profit and loss is as under:

(₹ in crores)

Description	31 March 2018	31 March 2017
Current service cost	24.86	20.28
Amount recognised in the statement of profit and loss	**24.86**	**20.28**

(ii) Movement in the liability recognised in the balance sheet is as under:

(₹ in crores)

Description	31 March 2018	31 March 2017
Present value of defined benefit obligation as at the start of the year	**380.72**	342.33
Current service cost	20.86	20.28
Past service cost including curtailment gains/losses	4.00	-
Interest cost	27.60	27.22
Actuarial loss recognised during the year	2.61	32.06

Benefits paid	(47.63)	(41.17)
Present value of defined benefit obligation as at the end of the year	**388.16**	380.72

(iii) Movement in the plan assets recognised in the balance sheet is as under:

(₹ in crores)

Description	31 March 2018	31 March 2017
Fair value of plan assets at beginning of year	**462.80**	**802.83**
Expected Return on plan assets	30.85	63.83
Transfer To/from MTNL	(34.09)	(422.31)
Receivable from MTNL	41.53	13.17
Premium redemption reserve	0.55	2.72
Advance income	0.08	-
Actuarial gain on plan assets	4.99	2.56
Provision for interest	3.59	-
Fair Value of plan Assets at the end of the year	**510.30**	**462.80**
Actual return on plan assets	35.84	66.39

(iv) Breakup of actuarial (gain)/loss:

Description	31 March 2018	31 March 2017
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	1.46	8.71
Actuarial (gain)/loss on arising from experience adjustment	(3.84)	20.78
Total actuarial (gain)/loss	**(2.38)**	**29.50**

(v) Actuarial assumptions

Description	31 March 2018	31 March 2017
Discount rate	7.65%	7.25%
Future Basic salary increase	3.50%	3.50%
Future DA increase	4.00%	3.55%

These assumptions were developed by management with the assistance of independent actuarial appraisers. Discount factors are determined close to each year-end by reference to government bonds of relevant economic markets and that have terms to maturity approximating to the terms of the related obligation. Other assumptions are based on management's historical experience.

(vi) Sensitivity analysis for gratuity liability

(₹ in crores)

Description	31 March 2018	31 March 2017
Impact of the change in discount rate		
Present value of obligation at the end of the year	388.15	380.72
- Impact due to increase of 0.50 %	(8.51)	(8.77)
- Impact due to decrease of 0.50 %	8.99	9.24
Impact of the change in salary increase		
Present value of obligation at the end of the year	388.15	380.72
- Impact due to increase of 0.50 %	9.19	9.54
- Impact due to decrease of 0.50 %	(8.82)	(9.12)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied which was applied while calculating the defined benefit obligation liability recognised in the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to previous period.

(vii) Maturity profile of defined benefit obligation

(₹ in crores)

Description	**31 March 2018**	**31 March 2017**
Within next 12 months	50.55	50.55
Between 1-5 years	203.63	201.98
Between 5-10 years	90.26	91.18
Beyond 10 years	42.71	37.00

(viii) Category of investment in gratuity trust:

(₹ in crores)

Particulars	**31 March 2018**	**31 March 2017**
Government of India Securities	16.99	16.99
Corporate bonds	191.97	191.97
State government securities	192.39	204.49
Mutual funds	2.86	2.86
Others	99.58	46.49
LIC	6.51	-
Total	**510.30**	**462.80**

B. Compensated absences (unfunded)

The leave obligations cover the Group's liability for sick and earned leaves. The Group does not have an unconditional right to defer settlement for the obligation shown as current provision balance above. However based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months, therefore based on the independent actuarial report, only a certain amount of provision has been presented as current and remaining as non-current. Amount of ₹ 146.02 crores (previous year: ₹ 164.53 crores) has been recognised in the statement of profit and loss.

C. Defined contribution plans

Contributions are made to the Government Provident Fund and Family Pension Fund which cover all regular employees eligible under applicable Acts. Both the eligible employees and the Group make pre-determined contributions to the Provident Fund. The contributions are normally based upon a proportion of the employee's salary.

The group has recognized the following amounts in the statement of profit and loss :

Particulars	**31 March 2018**	**31 March 2017**
Employer contribution to provident fund*	64.63	67.49

Leave encashment contribution for DoT employees**	1.29	0.94
Pension contribution for DoT employees***	2.01	1.36
Pension contribution for company employees****	106.98	116.70

* Mentioned as contribution to CPF
** Mentioned as leave encashment - Others
*** Mentioned as pension contribution - Others
**** Mentioned as pension contribution - Company employees

D. Gratuity and compensated absences 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.

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

F. The Group has taken an Insurance Policy for medical benefits in respect of its retired and working employees. The Insurance Policy is fully funded by the Group.

51. RELATED PARTY DISCLOSURES

Related parties where control exists:

i Key Management Personnel

Name	Designation
Mr. N.K Yadav	C.M.D. upto 07.06.16
Mr. P. K. Purwar	CMD from 02.03.2017 & Director (Finance) upto 02.03.2017 & Additional charge of CMD from 08.06.16 upto 01.03.17 & Additional charge of Director (Finance) from 03.03.17.
Mr. Sunil Kumar	Director (HR)
Mr. Sanjeev Kumar	Director (Technical) from 02.07.2016
Mr. S.R. Sayal	Company Secretary
Mr.Nirmal Kumar Joshi	Executive Director, Delhi (01.12.16 to till date)
Mr. Sunil Kumar	Executive Director, Delhi (01.05.16 to 30.11.16)
Mr. Harvesh Bhatia	Executive Director, Delhi (01.04.16 to 30.04.16)
Mr. Pravin Punj	Executive Director, Mumbai

ii Joint ventures

MTNL STPI IT Services Limited (‘MSISL’)

iii Associates

United Telecommunications Limited (‘UTL’)

iv Other related parties

MTNL Leave encashment trust

MTNL Gratuity trust

v Other government entity

Bharat Sanchar Nigam Limited (‘BSNL’)

vi Summary of Significant transactions with related parties:

(₹ in crores)

	For the year ended	
Particulars	**31 March 2018**	**31 March 2017**
Remuneration to Key Managerial Personnel		
Short-term employee benefits	1.59	1.43
Post employment benefits	0.12	0.13
Other long-term employee benefits	0.33	0.24
Amount received from MSISL	0.23	-

vii Summary of significant outstanding balances with related parties:

(₹ in crores)

Particulars	31 March 2018		31 March 2017	
	Loans	Investment in shares	Loans	Investment in shares
MSISL	-	2.28	-	2.28
UTL	-	35.85	-	35.85

(viii) The Group has certain transactions with respect to sale and purchase of services and receives reimbursement of expenses (vis-a-vis electricity and water charges) in relation to renting of immovable property from BSNL.

As per article 12.19 (b) of Shareholders' agreement together with para 27 of the amendatory agreement (together referred to as 'amended agreement') entered into between MTNL, TCIL, TCL and NVPL (Nepal), together referred to as 'Investors' pursuant to their investment in United Telecom Limited ('UTL'), in case NVPL (the local partner in Nepal) decides to sell its stake to any third party, it requires prior consent of other Investors. Further, at such time, per exit clause in the agreement, any of the other Investors other than NVPL can exit the arrangement after 2 years from the amended agreement by issuing 3 month's notice. Pursuant to this exit clause, the Parent has issued notice to UTL on 30 January, 2018 for making an exit. The notice is valid uptil 30 April 2018 and subsequent to 30 April 2018, the local partner has sought time extension of another 3 months i.e. till 30 July, 2018 for giving effect to the exit requested by the Parent. Accordingly, such investment has been classified as 'held for sale' in the financial statements for year ended 31 March 2018.

52. DETAILS OF CONTINGENT LIABILITIES, PENDING LITIGATIONS AND OTHER MATTERS: Related parties where control exists:

(₹ in crores)

	Description	31 March 2017	31 March 2016
a	Income Tax Demands disputed and under appeal ^	400.57	399.79
b	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	837.34	816.95
c	(i) Interest to DDA on delayed payments/pending court cases/Tax cases (ii) Stamp duty payable on land and buildings acquired by the company	Amount Indeterminate Amount Presently Unascertainable	Amount Indeterminate Amount Presently Unascertainable
d	Claims against the Parent not acknowledged as debts	3205.71	3,205.71
e	Pending arbitration/court cases	2443.00	2,305.13
f	Bank guarantee & Letter of Credit	87.54	118.27
g	Directory dispute	51.54	49.04
h	Pending court cases against land Acquisition	4.87	4.61
i	License fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36	140.36
j	License fee related contingent liability w.r.t. provisional assessment done by DOT	811.16	670.86
k.	BTS related penalty imposed by DoT	84.25	84.25

^Contingent Liability on account of Income Tax as shown in (a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed.

53. COMMITMENTS

A Capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

(₹ in crores)

	31 March 2018	31 March 2017
Property, plant and equipment	106.06	344.30

B 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.

54. LEASES

A. Operating leases – Assets taken on lease

The Group has leased certain towers, land and buildings under operating lease arrangements. The leases are renewable on periodical basis and cancellable at Group's option. Total lease payments recognized in the consolidated statement of comprehensive income is ₹ 99.90 crores (31 March 2017: ₹ 94.15 crores).

B. Finance leases – Assets given on lease

The Group has leased land under finance lease arrangements. As at 31 March 2018, the net carrying amount of the leasehold land was ₹ 293.30 crores (31 March 2017: ₹ 294.92 crores).

(₹ in crores)

	31 March 2018			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	380.78	406.58
Finance charges	0.52	6.39	354.45	361.37
Net present values	**4.64**	**14.25**	**26.33**	**45.21**

	31 March 2017			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	385.93	411.73
Finance charges	0.52	6.39	359.61	366.52
Net present values	**4.64**	**14.25**	**26.32**	**45.21**

55. SEGMENT INFORMATION

The Group's management examines the group's performance on services offered basis and has identified two reportable segments:

(i) Basic and other services
(ii) Cellular services

A. Segment revenue and results (₹ in crores)

	31 March 2018					31 March 2017				
Particulars	Basic & other Services	Cellular	Unal-locable	Inter segment adjust-ment	Total	Basic & other Services	Cellular	Unal-locable	Inter segment adjust-ment	Total
Revenue from operations	**2,066.75**	**403.51**	**6.76**	**(5.16)**	**2,471.86**	**2,345.17**	**625.94**	**4.82**	**(6.56)**	**2,969.37**
Segment result before interest income, exceptional items, finance cost and tax	(1,164.35)	(574.71)	11.94	-	(1,727.12)	(1,370.81)	(543.37)	19.70	-	(1,894.48)

Add: Interest income					262.03					402.70
Less: Finance cost					(1,505.49)					(1,448.47)
Add: Share of profit or loss from joint venture and associate					0.57					0.69
Loss before tax					**(2,970.02)**					**(2,939.56)**
Less: Tax expense					**0.90**					**(3.51)**
Loss after tax					(2,970.91)					**(2,936.05)**
Other comprehensive income/ (loss)					**12.78**					(32.83)
Total other comprehensive loss					**(2,958.14)**					**(2,968.88)**

B. Capital employed **(₹ in crores)**

	31 March 2018				31 March 2017			
Particulars	**Basic & other Services**	**Cellular**	**Unallocable/ eliminations**	**Total**	**Basic & other Services**	**Cellular**	**Unallocable/ eliminations**	**Total**
Segment assets (A)	9,015.14	5,398.21	1,877.84	16,291.19	10,010.22	5,819.83	1,863.21	17,693.26
Segment liabilities (B)	5,131.01	14,925.13	2,567.08	22,623.22	6,073.61	13,633.73	1,359.77	21,067.11
Capital employed (A-B)	**3,884.13**	**(9,526.92)**	**(689.23)**	**(6,332.02)**	**3,936.61**	**(7,813.90)**	**503.44**	**(3,373.85)**

Notes:

(i) Operating segments have been identified by the Group taking into account nature of services, associated risks and returns and internal reporting system that reflects the manner in which operating results are regularly reviewed by the Chief Operating Decision Maker for purpose of makign decisions on resources to be allocated to such segments and assess their performance.

(ii) The Group 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.

(iii) Segment revenue, segment results, segment assets and segment liabilities include the respective amount identifiable for each operating segment. Items which are not directly elatable to the business segment are shown as unallocable.

56. DISCONTINUED OPERATIONS

(a) Description

CDMA Service, which is reported under Cellular Segment as per Ind AS 108, 'Operating Segment' (Segment Reporting), was discontinued from 01 March 2016 and spectrum used for CDMA services has been surrendered for ₹ 458.04 crores to DoT. During the current year, the Group has made recoveries pertaining to CDMA assets and paid license fee on such recoveries.

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 March 2018 and 31 March 2017.

(₹ in crores)

Particulars	**31 March 2018**	**31 March 2017**
Revenue	0.58	-
Expenses	(0.16)	-
Profit before income tax	**0.42**	**-**
Income tax expense	-	-
Profit after income tax	0.42	-
Gain on sale of assets after income tax for segment discontinued	-	-
Profit from discontinued operation	0.42	-
Exchange differences on translation of discontinued operations	-	-
Other comprehensive income from discontinued operations	**0.42**	**-**
Net cash inflow from operating activities	0.42	-
Net cash inflow (outflow) from investing activities	-	-
Net cash (outflow) from financing activities	-	-
Net increase in cash generated from discontinued operation	**0.42**	**-**

57. ADDITIONAL INFORMATION AS REQUIRED BY PARAGRAPH 2 OF THE GENERAL INSTRUCTIONS FOR PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS TO SCHEDULE III TO THE COMPANIES ACT, 2013.

Name of the entity	Net assets i.e. total assets minus total liabilities		Share in profit or loss		Share in other comprehensive income		Share in total comprehensive income	
	As % of consolidated net assets*	Amount (₹)	As % of consolidated net assets*	Amount (₹)	As % of consolidated net assets*	Amount (₹)	As % of consolidated net assets*	Amount (₹)
Parent								
Mahanagar Telephone Nigam Limited	102.36%	(6,481.29)	100.16%	(2,975.74)	18.61%	2.38	100.51%	(2,973.36)
Indian subsidiaries								
Millenium Telecom Limited	-0.08%	5.17	-0.02%	0.53	0.00%	-	-0.02%	0.53
Foreign subsidiaries								
Mahangar Telephone (Mauritius) Limited	-2.17%	137.54	-0.13%	3.73	81.39%	10.40	-0.48%	14.13
MTML Data Limited	-0.01%	0.36	0.00%	(0.00)	0.00%	-	0.00%	(0.00)
MTML International Limited	-0.03%	1.83	0.00%	(0.00)	0.00%	-	0.00%	(0.00)
Associates (Investment as per the equity menthod)								
Foreign								
United Telecom Limited	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Joint venture (Investment as per the equity menthod)								
Indian								
MTNL STPI IT Services Limited	-0.07%	4.37	-0.02%	0.57	0.00%	-	-0.02%	0.57
Total	**100.00%**	**(6,332.01)**	**100.00%**	**(2,970.91)**	**100.00%**	**12.78**	**100.00%**	**(2,958.14)**

*The above amounts / percentage of net assets and net profit or (loss) in respect of Mahanagar Telephone Nigam Limited and its subsidiaries are determined based on the amounts of the respective entities included in consolidated financial statements before inter-company eliminations / consolidation adjustments.

58. ASSETS PLEDGED AS SECURITY

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Current		
Pari-passu charge		
Inventories	24.61	15.07
Trade receivables	424.27	491.58
Cash and cash equivalents	54.37	87.00
Other bank balances	11.41	0.60
Loans	2,954.37	2,811.87
Other financial assets	886.66	843.72
Other currents assets	632.86	683.52
Total current assets pledged as security	**4,988.55**	**4,933.36**
Non-current		
Pari-passu charge		
Apparatus & plant	1,937.68	2,049.08
Vehicle	1.60	1.87
Furniture & fixtures	12.26	12.12
Office machinery & equipment	2.11	1.93
Electrical appliances	14.08	13.65
Computers	18.30	17.75
Total non-currents assets pledged as security	**1,986.03**	**2,096.40**
Total assets pledged as security	**6,974.58**	**7,029.76**

59. DISCLOSURE UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("MSMED ACT, 2006") IS AS UNDER:

(₹ in crores)

	Particulars	31 March 2018	31 March 2017
(i)	*the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;*	Nil	Nil
(ii)	the amount of interest paid by the buyer in terms of section 16, along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year;	Nil	Nil
(iii)	the amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006;	Nil	Nil

(iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
(v)	the amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under Section 23.	Nil	Nil

The Group is in the process of seeking confirmation from its vendors regarding their status under the Micro, Small and Medium Exterprises Development Act, 2006. The above disclosure has been determined to the extent such parties have been identified on the basis of information available with the Group. This has been relied upon by the auditors.

60A The Parent is covered under Section 135 of the Companies Act, 2013 and accordingly constituted a Corporate Social Responsibility Committee of the Board. However, as the Company did not have average net profits based on the immediately preceding three financial years, the Company is not required to spend amounts towards Corporate Social Responsibility in terms of the 2013 Act.

60B During the year the Group has made expenditure in foreign currency equivalent to ₹ 3.35 crores. Whereas earnings in foreign currency are ₹ 2.80 crores.

61 Certain Lands and Buildings capitalized in the books are pending registration/legal vesting in the name of the Parent 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 01 April 1986, the documentation shall be contemplated at the time of sale or disposal as and when effected.

62 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 February 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 ₹ 3,205.71 crores is shown on the basis of the demand raised by DoT in respect of GSM."

63 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 April 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.

64 MTNL 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 instalments. Accordingly, five instalments 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 instalments. The instalments which were due in 2012-13, 2013-14, 2014-15, 2015-16 and 2016-17 have not been paid, therefore necessary provision for the overdue instalments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments made by M/S ITI and as funds will be made available after budget 2014-15 is passed and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7 May 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 May 2015, 21 July 2015, 27 August 2015 and 29 January 2016. 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 January 2016 but the same was rejected by MTNL and communicated to ITI vide letter no. MTNL/CO/GM(BB&IA)/ITI Investment/2013-14 dated 09 February 2016. Subsequently MTNL has initiated the required actions as per Section 55(3) of Companies Act 2013 effected from 1 June 2016 and the issue is taken up again vide letter no. MTNL/CO/BKG/ITI Investment/2013-14/127 dated 19 May 2017 for issuing of cumulative preference shares for the entire amount due inclusive of dividend.

65 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.

66 The Parent had claimed benefit under section 80IA of the Income Tax Act, 1961 for the financial year from 1996-97 to 2005-06. The appellate authorities have allowed the claim to the extent of 75% of the amount claimed. The Parent has preferred appeals for the remaining claim before the Hon'ble Court of Delhi. The Group has retained the provision of ₹ 375.96 crores (previous year ₹ 400.33 crores) for this claim for the assessment years 1998-99, 1999-00 and 2000-2001, however, the demands on this account amounting to ₹ 243.22 crores (previous year ₹ 345.72 crores) for the assessment years 2000-01 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act, 1961.

67 Litigations

a) 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 April 1996. MTNL, Mumbai & Delhi invoked Bank Guarantees on 09 April 1996, issued Legal Notice on 22 July 1996 and terminated the contract.

Sole Arbitrator has been appointed by CMD, MTNL. The Sole Arbitrator has since given his award on 09 April 2013 partly in favour of MTNL, Mumbai and on 31 July 2013 in favour 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 ₹ 51.54 crores on this account has been shown as contingent liability.

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 Parent has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for refund of ₹ 96.71 crores. MTNL 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 May 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 May 2014 on which MTNL filed CWP no.022764 dated 16 July 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) The Parent had 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, 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 ₹ 172.83 crores on this account has been shown as contingent liability.

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

68 Settlements with BSNL:

a) The amount recoverable from BSNL is ₹ 5,396.52 crores (previous year ₹ 5,671.54 crores) and amount payable is ₹ 2,009.37 crores (previous year ₹ 1,941.76 crores). The net recoverable of ₹ 3,387.15 crores (previous year ₹ 3,729.78 crores) is subject to reconciliation and confirmation. The carrying value of the net recoverable from BSNL is ₹ 3,282.45 crores (previous year - ₹ 3,422.58 crores) measured at amortised cost.

b) Certain claims of BSNL on account of Signalling charges ₹ 21.93 crores (previous year ₹ 21.93 crores), Transit tariff ₹ 25.19 crores (previous yea ₹ 25.19 crores), MP Billing ₹ 6.01 crores (₹ 6.01 crores), Service Connections ₹ 40.15 crores (previous year ₹ 40.15 crores), IUC ₹ 10.14 crores (previous year ₹ 10.14 crores) and IUC from Gujrat Circle ₹ 1.11 crore (previous year ₹ 1.11 crore) are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary.

c) Delhi Unit of the Parent has accounted for the expenditure on account of telephone bills of service connections raised by BSNL towards MTNL for the period from 01 October 2000 to 30 September 2006 to the tune of ₹ 9.80 crores (previous year ₹ 9.80 crores) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹ 31.27 crores (previous year ₹ 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 (previous year ₹ 21.47 crores) is shown as contingent liability.

69 Subscribers' dues and deposits:

Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹ 36.07 crores (previous year ₹ 34.58 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.

70 The amounts of receivables and payables (including NLD / ILD Roaming operators) are subject to confirmation and reconciliation.

71 "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 Delhi unit of the Parent, 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."

72 In case of Mumbai unit of the Parent, the balances with non-scheduled banks comprise of:

(₹ in crores)

Particulars	31 March 2018	31 March 2017
Indira Sahakari Bank Limited	0.56	0.56
(account closed, considered doubtful)	(0.56)	(0.56)

73 Settlements with DoT:

a) Amount recoverable on current account from DoT is ₹ 6,807.97 crores (previous year ₹ 7,318.54 crores) and amount payable is ₹ 38.71 crores (previous year ₹ 54.93 crores). The net recoverable of ₹ 6,769.26 crores (previous year ₹ 7,263.61 crores) is subject to reconciliation and confirmation. There is no agreement between the MTNL 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 31 March 1986 were ₹ 81.32 crores (previous year ₹ 81.32 crores) in Mumbai unit as intimated provisionally by DoT. At the year end, these deposits amounted to ₹ 103.28 crores (previous year ₹ 103.28 crores), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31 March 1986. Balance on this account still recoverable from DoT is ₹ 55.85 crores (previous year ₹ 55.85 crores).

c) The total provision for Leave encashment is ₹ 1,113.39 crores up to 31 March 2018 (previous year ₹ 1,117.10 crores). Out of this, an amount of ₹ 65.37 crores (previous year ₹ 65.37 crores) and ₹ 43.37 crores (previous year ₹ 43.37 crores) is recoverable from DOT in respect of Company C & D and Company B employees respectively for the period prior to their absorption in MTNL.

d) An amount of ₹ 1,150.97 crores (previous year ₹ 1,886.76 crores) towards GPF contribution is recoverable from DOT as on 31 March 2018. The amount pertains to Company C& D and Company B employees absorbed in MTNL w.e.f. 01 November 1998 and 01 October 2000 respectively.

74 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.

75 There is no indication of any impairment of assets of the Group, on the basis of the company as a whole as a CGU under Indian Accounting Standards - 36 "Impairment of assets" as specified under Section 133 of the Companies Act, 2013.

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

77 **Debenture Redemption Reserve:** In view of losses, Debenture Redemption Reserve had not been created in respect of Redeemable Non-Convertible Debentures since 2014-15 (in the form of Bonds).

78 There is no amount which is required to be transferred to Investor Education and Protection Fund by the Parent.

79 The Group 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.

80. The Bank Reconciliation Statements as at 31 March 2018 include unmatched/unlinked credits/ debits amounting to ₹ 1.61 crore (previous ₹ 2.33 crore) and ₹ 3.11 crore (₹ 1.04 crore) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.

81 The Group has incurred a loss of ₹ 2,968.20 crores during the year under report. The Group has been incurring continuous losses since year 2009-10 (except in FY 2013-14) and the net worth has been fully eroded for the year under report. Considering the continuous losses and negative net worth, the management has made an assessment of its ability to continue as a going concern. The Parent has taken up a VRS proposal with the Government., 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 Group to reduce its costs and thereby losses. Besides, the Group has taken for monetization of the lands and buildings of the Parent which is also under consideration of the Govt. In addition to this, proposal of Govt to provide 4G license to the Parent and infusion of fresh capital by the Govt in lieu of granting 4G license is also under consideration All these cases are under consideration of the Govt. Besides, the CMTS License which was earlier valid up to 10 October 2017, the validity is revised by Govt. up to 5 April 2019 which facilitates the continuation of services without any additional upfront Spectrum cost till the year 2019 and in addition the proposal for monetization of assets is also taken up with Govt.. All these aspects are considered by the management while preparing the financial statements, and an assessment of Group's ability to continue as a going concern is made accordingly.

82 In Mumbai Unit, the Parent has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The recognition of profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) - 18 on "Revenue" is pending till the finalisation of fresh addendum.

83 During the year, the Group has booked an income amounting to ₹ 136.74 crores as other income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by

the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units is pending due to finalization of detailed report on the basis of PPOs issued in respect of Mumbai unit is under process. On completion of the same necessary effect will be taken to accounts.

84. Certain items of property, plant and equipments such as batteries, Air conditioners, transformers, lifts and cables etc. are capitalized on account of replacement of old assets in existing property, plant and equipments. The removal of WDV of existing assets is pending till the relocation/ decommissioning of existing assets which is under scrutiny and the consequential impact of the residual value will be considered at the time of scrap in the ensuing year.

For and on behalf of Board of Directors

For Mehra Goel & Co. Chartered Accountants FRN: 000517N	**For Kumar Vijay Gupta & Co.** Chartered Accountants FRN No. 007814N	**(Sultan Ahmed)** GM (Finance) CO	**(S.R. Sayal)** CO. Secy.
Sd/- **(Nikhil Agrawal)** Partner Membership No. 419806	Sd/- **(Roopa Garg)** Partner Membership No. 500677		Sd/- **(P. K. Purwar)** Chairman & Managing Director DIN 06619060

Place : New Delhi
Date : 30 May 2018

Annexure to Director's Report (Standalone)

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

Sr. No.	Auditor's Report	Reply of Management
1	The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 as well as in the previous year and the current liabilities exceeded the current assets substantially. Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II. However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements).	The accounts are prepared on going concern basis for the period ending 31.03.2018 in view of the fact that the declaration of company as incipient sick will lead to implementation plan for revival being government company. As per IND AS-I, paras 25& 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules, expected support from govt. as promoter and prepared the accounts on going concern basis since the revival process has been initiated by govt/DoT as per DPE guidelines. Accordingly financial statements have been prepared on going concern basis.
2	**Bharat Sanchar Nigam Limited (BSNL):** a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of ₹3,387.15 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements)	a) Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books up to the year 2017-18. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled by intervention at the highest level of DoT in the year under report and till now approximately ₹1100 crs of claims were settled & paid by BSNL and ₹300 crs is paid by MTNL. As such the issue is under settlement and both being PSUs under DOT, there would be settlement at the earliest. Further, the process of settlement also continues in the financial year i.e. 2018- 19. In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage.

Sr. No.	Auditor's Report	Reply of Management
	b)Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements.	**b)** The case of allowing discounts to customers by BSNL or MTNL is under review and DOT committee has been repeatedly insisting on settlement of dues with mutually acceptable manner and in accordance with synergy agreement. However the issue of leased circuits, billing etc are still under review and it is expected to conclude the process for in the current financial year.
	c)The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to ₹118.17 Crores has not been carried forward or ineligible credits amounting to ₹50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.	**c)**The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit& loss account. Besides the issues are under advise from GST consultants to proceed with a request to govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the payments are made to be deliberated with BSNL since majority of cases related to BSNL. As GST regime issues are under evolving process, the impact, if any cannot be ascertained at this stage.
	d.) The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified.	**d)** Noted, As mentioned the income and expenditure is recognised on accrual basis. No impact is envisaged on profit & loss account.

Sr. No.	Auditor's Report	Reply of Management
3	The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹6,464.15 Crores is subject to reconciliation and confirmation. In view of non-reconciliation and non-confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).	Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However the recoverable amount of ₹6,464.15 crores includes the GPF (RS 1150.97 Crs), Excess pension paid from 1-10 2000 (₹143.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (₹4533.97 Crs) totalling to ₹5827.94/- crores identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of ₹636.21 crs shown by MTNL in the books for the year 2017-18 on the pattern of GPF, Bonds etc which already stand confirmed. The issue of confirmation and settlement of Earlier period bonds related claims of ₹431 crores is also already in progress in D.O.T. The resultant balance amount of ₹205.21 crs is also due to MTNL on account of various other petty claims of period pertaining to years 1986- 2000. In view of above there will be no impact and claims are being pursued at DoT level.
4	Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 58 to the standalone Ind-AS financial statements).	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.

Sr. No.	Auditor's Report	Reply of Management
5	The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).	As regards the allocation of over heads in line with Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs. As the issue is under deliberation, overhead are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured. In view of above the impact is not ascertainable.
6	Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2018 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. In view of above the impact is not assessable.
7	The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for

Sr. No.	Auditor's Report	Reply of Management
	note no. 65 to the standalone Ind-AS financial statements).	them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter there is no impact otherwise and wherever required necessary adjustments are required the same are also being made.
8	Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).	The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic & GSM has also been done as per the policy only. The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses with the contracts between the operators. In view of above the impact is not assessable.
9	**(a)** In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present. **b)** Unlinked credit of ₹37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).	**(a)** The reconciliation is almost completed. Necessary adjustments entries, if any, shall be passed after finalisation it. In view of above the impact is not ascertainable **(b)** The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time.

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

Sr. No.	Auditor's Report	Reply of Management
	Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and ₹3205.71 Crores has been disclosed as contingent liability. In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 57 to the standalone Ind-AS financial statements).	correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of ₹3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.
13	In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/ detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).	The contractual terms & conditions are undergoing change and were under deliberations with Larsen & Turbro (L&T) and an addendum to the agreement is to be signed shortly between MTNL & L&T which is in the final stage further action or any working of profit or loss can be ascertainable only after the addendum is got entered into. As such there is no scope to recognise profit& loss at this point of time.

Sr. No.	Auditor's Report	Reply of Management
14	During the year, the Company has booked an income amounting to ₹136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 78 to the standalone Ind-AS financial statements).	The action in respect of Mumbai unit is in progress and in view of huge data with reference to the retirees spanning from the period w.e.f 1.10.2000 to 31.3.2014, the process is expected to be got completed in the current financial year and as the impact is not ascertainable unless all PPO,s are reviewed, no adjustment is done in the last quarter of current financial year. The same shall be completed in current financial year 2018-19 and appropriate action will be taken accordingly.

Annexure to Director's Report (Consolidated)

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

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

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

Sr. No.	Auditor's Report	Reply of Management
3	The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 6,464.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the consolidated Ind-AS financial statements).	Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However the recoverable amount of Rs 6,464.15 crores includes the GPF (RS 1150.97 Crs), Excess pension paid from 1-10 2000 (₹143.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to ₹5827.94/- crores identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of ₹ 636.21 crs shown by MTNL in the books for the year 2017-18 on the pattern of GPF, Bonds etc which already stand confirmed. The issue of confirmation and settlement of Earlier period bonds related claims of ₹431 crores is also already in progress in D.O.T. The resultant balance amount of ₹205.21 crs is also due to MTNL on account of various other petty claims of period pertaining to years 1986- 2000. In view of above there will be no impact and claims are being pursued at DoT level.
4	Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 63 to the consolidated Ind-AS financial statements).	The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.
5	The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16	As regards the allocation of over heads in line with Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the allocation is made on the basis

Sr. No.	Auditor's Report	Reply of Management
	"Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the consolidated Ind-AS financial statements).	of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs. As the issue is under deliberation, overhead are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured. In view of above the impact is not ascertainable.
6	Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 75 to the consolidated Ind-AS financial statements).	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2018 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. In view of above the impact is not assessable.
7	The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the consolidated Ind-AS financial statements).	Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter there is no impact otherwise and wherever required necessary adjustments are required the same are also being made.

Sr. No.	Auditor's Report	Reply of Management
8	Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.	The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic & GSM has also been done as per the policy only. The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses with the contracts between the operators. In view of above the impact is not assessable.
9	**(a)** In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated Ind-AS financial statements cannot be ascertained and quantified at present. **(b)** Unlinked credit of ₹ 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 69 and 80 to the consolidated Ind-AS financial statements).	**(a)**The reconciliation is almost completed. Necessary adjustments entries, if any, shall be passed after finalisation it. In view of above the impact is not ascertainable. (b)The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time.
10	Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years. In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not except that there

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

Sr. No.	Auditor's Report	Reply of Management
	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 consolidated Ind-AS financial statements of the Company. (Also refer note no. 62 to the consolidated Ind-AS financial statements).	Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of ₹3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.
13	In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/ detail, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 82 to the consolidated Ind-AS financial statements).	The contractual terms & conditions are undergoing change and were under deliberations with Larsen & Turbro (L&T) and an addendum to the agreement is to be signed shortly between MTNL & L&T which is in the final stage further action or any working of profit or loss can be ascertainable only after the addendum is got entered into. As such there is no scope to recognise profit& loss at this point of time.
14	During the year, the Company has booked an income amounting to ₹ 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 83 to the consolidated Ind-AS financial statements).	The action in respect of Mumbai unit is in progress and in view of huge data with reference to the retirees spanning from the period w.e.f 1.10.2000 to 31.3.2014, the process is expected to be got completed in the current financial year and as the impact is not ascertainable unless all PPO,s are reviewed, no adjustment is done in the last quarter of current financial year. The same shall be completed in current financial year 2018-19 and appropriate action will be taken accordingly.

MTNL

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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 No. Report-PSU A/cs./F-199/MTNL (CFS)/2017-18/319

Dated : 03/08/2018

To

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

Subject: 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 (Consolidated) for the year ended 31st March, 2018.

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, 2018 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

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

Encl: 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 31 MARCH 2018.

The preparation of consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2018 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 2018.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section I 43(6)(a) read with section 129(4) of the Act of the consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2018. We conducted the supplementary audit of financial statements of Mahanagar Telephone Nigam Limited and Millennium Telecom Limited 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. Gointly controlled entities) 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 and MTML Data Ltd .• MTML International Ltd .• United Telecom Limited & MTNL STPI IT Services Ltd. under 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: 03-08-2018

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

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 31 MARCH 2018.

Comments of CAG	Reply of MTNL Management
Notes to Financial Statements	
The preparation of consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2018 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 2018.	Noted
I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section I 43(6)(a) read with section 129(4) of the Act of the consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2018. We conducted the supplementary audit of financial statements of Mahanagar Telephone Nigam Limited and Millennium Telecom Limited 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. Gointly controlled entities) 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 and MTML Data Ltd .• MTML International Ltd .• United Telecom Limited & MTNL STPI IT Services Ltd. under 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.	

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

Sd/-
(P.K. Purwar)
CMD

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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 / No. Rep-PSU A/cs./F-176/MTNL/2017-18/346
Dated : 13/08/2018

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, 2018.

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 for the year ended 31st March, 2018 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

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

Encl: 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 FOR THE YEAR ENDED 31 MARCH 2018.

The preparation of financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act)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 stated to have been done by them vide their Audit Report dated 30th May 2018.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March 2018 under section 143(6)(a) of the Act. 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 supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditor report under section 143(6)(b) of the Act.

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

Place: New Delhi

Date: 13-08-2018

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

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 FOR THE YEAR ENDED 31 MARCH 2018.

Comments of CAG	Reply of MTNL Management
Notes to Financial Statements The preparation of financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March 2018 in accordance with the financial reporting framework prescribed under the Companies Act, 2013(Act)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 stated to have been done by them vide their Audit Report dated 30th May 2018. I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit of the financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March 2018 under section 143(6)(a) of the Act. 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 supplementary audit nothing significant has come to my knowledge which would give rise to any comment upon or supplement to statutory auditors' report under section 143(6)(b) of the Act.	Noted

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

Sd/-
(P.K. Purwar)
CMD

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:	**Millennium Telecom Limited**
3.	The date since when subsidiary acquired:	17.02.2000
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period:	Same as Holding Company
5.	Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.:	Not Applicable
6.	Share capital:	₹ 2.88 Crores
7.	Reserves & surplus:	₹ 2.29 Crores
8.	Total assets:	₹ 12.55 Crores
9.	Total Liabilities:	₹ 12.55 Crores
10.	Investments:	Nil
11.	Turnover:	₹ 6.76 Crores
12.	Profit before taxation:	₹ 0.71 Crores
13.	Provision for taxation:	₹ 0.18 Crores
14.	Profit after taxation:	₹ 0.53 Crores
15.	Proposed Dividend:	₹ 0.057 Crores (Interim Dividend ₹ 0.14 Crores declared on 27.03.2018)
16.	% 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.	The date since when subsidiary was acquired:	14.11.2003
4.	Reporting period for the subsidiary concerned, if different from the holding company's reporting period:	Same as Holding Company
5.	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 0.512 MUR
6.	Share capital:	₹ 117.19 Crores
7.	Reserves & surplus:	₹ 20.59 Crores
8.	Total assets:	₹ 168.11 Crores
9.	Total Liabilities:	₹ 168.11 Crores
10.	*Investments:	NIL
11.	Turnover:	₹ 93.19 Crores
12.	Profit before taxation:	₹ 4.44 Crores
13.	Provision for taxation:	₹ 0.71 Crores
14.	Profit after taxation:	₹ 3.73 Crores
15.	Proposed Dividend:	₹ 0.6 Crore
16.	% 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 Telecommunication Limited	MTNLSTPI IT Services Limited
1. Latest audited Balance Sheet Date	31.03.2018	31.03.2018
2. Date on which the Associate or Joint Venture associated or acquired	21.07.2001	31.03.2006
3. 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%
4. Description of how there is significant influence	Holding more than 20% shares	Holding more than 20% shares
5. Reason why the associate/ joint venture is not consolidated	Not Applicable	Not Applicable
6. Net worth attributable to Shareholding as per latest audited Balance Sheet	Nil	Rs. 4.37 Crore
7. **Profit/ Loss for the year**	Loss	Profit
i. Considered in Consolidation	-	Rs. 0.57 Crore
ii. Not Considered in Consolidation	Rs.(60.16) Crore	Rs. 1.12 Crore

1. Names of associates or joint ventures which are yet to commence operations: Not Applicable
2. 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

(Sultan Ahmed)
GM (Finance) CO

(P. K. Purwar)
CMD & Director (Finance)

Place: New Delhi
Date: 03rd July, 2018

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 18th Annual Report of your Company together with the Statement of Accounts and Auditors Report for the year ended on 31st March, 2018 and report as under:

FINANCIAL PERFORMANCE

During the financial year under report, your Company has registered a net profit of Rs. 52,58,282/- as against a Net profit of Rs. 39,90,559/- last year and has a reserve and surplus of Rs. 2,22,39,105/- as against Rs. 1,94,15,181/- last year.

PERFORMANCE OF MTL FOR F.Y. 2017-18

MTL got "Excellent" MoU rating for the outstanding performance in 2016-17.

Services being offered by MTL include Telecom consultancy & engineering, Project Management, Wi-Fi solution, project on e-governance, Managed services, Turnkey ICT solution, GIS based services, capacity building and skill development etc.

Millennium Telecom Ltd (MTL) is also moving ahead with a very high growth rate. In 2014-15, the company turned into profit making company by System Integration and other ICT related business at pan India level. Since 2014-15 the company has been making profit continuously. During the year under report i.e. 2017-18 the company has earned a revenue of Rs. 6,75,77,399/- as against Rs. 4,82,13,943/- last year. MTL earned a net profit of Rs 52.58 lacs for the period ending 31st March 2018. MTL is in the process of winning over more orders in the upcoming years.

A large number of Govt. Institutions have awarded works on nomination basis, which have been successfully executed by MTL. Customer list include Air India, J & K Government, Central University-(Mahendragarh) Haryana, UP Building and Other Constructions Workers Welfare Board (BOCWWB), Lucknow etc. MTL is also expanding its portfolio of services for providing generalized as well customized solutions to suit Government and Semi Government institutions.

MTL has empanelled various Business Development Associates (BDAs) for 10 years through Open Tender. These BDAs are very competent and have good experience in various components of Govt of India schemes like Smart City, Digital India and Skill India. MTL has reopened the window for Empanelment of Business Development Associates in MTL through open ended EOI.

Many new projects are in pipeline like GIS survey of Electric poles in Uttarakhand, Digitalization of Birth / Death certificate North Delhi Municipal Corporation, Networking Project in UJVNL, video surveillance of temples in Gujarat.

MTL is also in the process of starting various services for which the card rate are being developed. Such services are smart solutions for smart city implementation, security as a services, video surveillance as a services, etc.

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 the company 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

The Board of Directors of your company has recommended the payment of Final Dividend @ 2% on the paid up share capital of Rs. 2,87,58,800/- of the company i.e. Rs. 0.20/- per share on 28,75,880 no. of shares for the financial year 2017-18 which works out to Rs.5,75,176/- making a total dividend of 7% (Rs.0.70 per share) including Interim Dividend of 5% (Rs. 0.50 per share) on the paid up share capital of the company amounting to Rs.14,37,941 which was declared on 27.03.2018.

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.

Pursuant to the Special Resolution passed in the shareholders meeting in 2017, the Registered office of the company has been shifted from the State of Maharashtra to State of Delhi effect from 01.04.2018. The present address of the Registered Office is Room No. 4208, 4th Floor Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi- 110003".

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, PROHIBITITION & REDRESSAL) ACT, 2013.

During the Financial Year 2017-18, no case has been referred/ reported to the Committee on Sexual Harassment in the company.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS IN THE FINANCIAL YEAR 2017-18

During the Financial Year 2017-18 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	81	26.05.2017	Mumbai
2	82	30.08.2017	Mumbai
3	83	27.11.2017	New Delhi
4	84	27.03.2018	New Delhi

DIRECTORS

Shri. Sunil Kumar, continues to be Chairman and Nominee Directors of MTNL (the holding Company). Shri R. M. Agrawal continues to be the Govt. (DOT) Nominee Director and Shri Pravin Punj & Shri Sultan Ahmed continue to be the Nominee Director of MTNL during the Financial Year 2017-18:

CHIEF OPERATING OFFICER

Shri Sanjay Khare, GM (EB), MTNL, Mumbai and Shri S. S. Jain, DGM (EB), CO continue to be Chief Operating Officer (COO) of your company.

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 REALTED PARTIES

During the period under review, the Company has 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 Party Transactions were in ordinary course of Business and were negotiated on an Arm's Length basis and they were intended to further the company's interest. Accordingly, the disclosure of Related Party Transactions as required under Section 134(3)(h) of Companies Act, 2013 in form AOC-2 is not applicable.

AUDITORS

M/s Bramhecha Modi & Co., Chartered Accountants (FRN: 101591W) Mumbai has been appointed as Statutory Auditors of your company by Comptroller & Auditors General of India (C&AG) for the year 2017-18 vide Letter No./CA.V/COY/CENTRAL GOVERNMENT,MIL TEL(1)/1011 dtd. 11.08.2017.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6)(b) OF THE COMPANIES ACT, 2013.

"NIL" Comment

ACKNOWLEDGEMENT

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

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

For and on behalf of Board of Directors.

Sd/-
(SUNIL KUMAR)
CHAIRMAN
DIN:06628803

Place: New Delhi
Date: 25.06.2018

ANNEXURE -I

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2018

[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:-** U64200DL2000GOI333459

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:-** Room No. 4208, 4th Floor Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi- 110003.

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,5th Floor, 9 CGO Complex, Lodhi Road,New Delhi-110003.	L32101DL1986GOI023501	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 (01.04.2017)				No. of Shares held at the end of the year (31.03.2018)				% Change during the year
	De-mat	Physical	Total	% of Total Shares	De-mat	Physical	Total	% of Total Shares	
A)Promoters									
(1) Indian									
a) Individual/ HUF	0	0	0	0.00	0	0	0	0	0
b) Central Govt/ State Govt(s)	0	0	0	0.00	0	0	0	0	0
c) Bodies Corp. (MTNL)	0	2875880	2875880	100.0	0	2875880	2875880	100	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):-	**0**	**2875880**	**2875880**	**100**	**0**	**0**	**2875880**	**2875880**	**0**
(2)Foreign									
a) NRIs- Individuals	0	0	0	0.00	0	0	0	0	0
b) Bodies Corp.	0	0	0	0.00	0	0	0	0	0
c)Bank/FI	0	0	0	0.00	0	0	0	0	0
d) Any other….	0	0	0	0.00	0	0	0	0	0
Sub- total(A) (2):-	0	0	0	0.00	0	0	0	0	0
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 (01.04.2017)				No. of Shares held at the end of the year (31.03.2018)				% 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 (01.04.2017)			Shareholding at the end of the year (31.03.2018)			
		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	% change in share holding during the year
1.	Mahanagar Telephone Nigam Limited	2875880	100.00	Nil	2875880	100.0	Nil	NIL
	Total	**2875880**	**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 (01.04.2017)		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 (01.04.2017) i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	NIL	5957463.00 -- --	NIL -- --	5957463.00 -- --
Total (i+ii+iii)	**NIL**	**5957463.00**	**NIL**	**5957463.00**
Change in Indebtness during the financial year • **Addition** • **Reduction**	--	**102712.00** -- --	--	**102712.00** -- --
Net Change	**NIL**	**102712.00**	--	**102712.00**
Indebtness at the end of the financial year (31.03.2018) i) Principal Amount ii) Interest due but not paid iii) Interest accrued but not due	--	-- **6060175** -- --	--	-- **6060175** -- --
Total (i+ii+iii)	**NIL**	**6060175**	**NIL**	**6060175**

(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

BRAMHECHA MODI & CO.
CHARTERED ACCOUNTANTS

603/604, Kushal Point, Road No. 4,
New Meghdoot Hotel, Ghatkopar(W),
Mumbai-400 086
Tel: 022-25166805/25146806
Telefax: 022-25146806
Email: ca_bmco@ymail.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 **MILLENIUM TELECOM LIMITED,** which comprise the Balance Sheet as on 31/03/2018, the Statement of Profit and Loss, Cash Flow statement for the year ended then, 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 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 the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the 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 internal financial control, 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 the Trial Balance 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 disclosures in the financial statements. The procedures selected depend on our 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, we considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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 financial statements.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2018;
- In the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements:

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" statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by section 143(5) of the Act, we give in "Annexure B" a statement on the matters specified by the Comptroller and Auditor General of India for the Company.
3. As required by Section 143 (3) of the Act, we report that:
   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
   b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books
   c) The Balance Sheet, the Statement of Profit & 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 31 March, 2018, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2018, 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, refer to our separate Report in "Annexure C".
   g) With respect to the other matters included in the Auditor's Report and to our best of our information and according to the explanations given to us:
      i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 24 to the financial statements;
      ii. The Company did not have any long-term contracts including derivatives 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 **BRAMHECHA MODI & CO.**

Chartered Accountants
Firm Reg. No. 101591W

(V.R. BRAMHECHA)
Partner
Mem No. 039904

Place: MUMBAI
Date: 24.05.2018

"ANNEXURE A" TO THE AUDITORS' REPORT

[Referred to in Our Report of even date]

On the basis of the information and explanation given to us during the course of our audit, we report that:

1) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.

(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 the 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 maintained under section 189 of the Companies Act, 2013.

(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 Companies Act, 2013 in respect of loans, investments, 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. As informed to us, the maintenance of Cost Records has not been specified by the Central Government under sub-section (1) of Section 148 of the Act, in respect of the activities carried on by the Company.

7. (a) According to information and explanations given to us and on the basis of our examination of the books of account, and records, the Company has been generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income-Tax, Sales tax, Service Tax, Duty of Customs, Duty of Excise, Value added Tax, Cess and any other statutory dues with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of material statutory dues were in arrears as on 31st March 2018 for a period of more than six months from the date on when they become payable.

(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 other than the following.

Assessment Year	Demand	Paid under Protest
2003-2004	63,75,775/-	63,75,775/-
(The above case is pending with ITAT for relief of Deduction u/s 80IA)		

2004-2005	39,51,1744/-	40,82,377/-
(The above case is pending with ITAT for relief of Deduction u/s 80IA)		
2005-2006	29,82,670/-	29,82,670/-
(The above case is pending with ITAT for relief of Deduction u/s 80IA)		
2007-2008	6,34,050/-	Nil
(Commissioner of Income Tax Appeal has allowed only part appeal and appeal effect is still pending)		

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 fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year.

11) Based upon the audit procedures performed and the information and explanations given by the management, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act;

12) In our opinion, the Company is not a Nidhi Company. Therefore, the provisions of clause 4 (xii) of the Order are not applicable to the Company.

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 Companies Act, 2013 where applicable and the details of such transactions have been disclosed in the Financial Statements etc. 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 any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of clause 3 (xiv) of the Order are not applicable to the Company and hence not commented upon.

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 **BRAMHECHA MODI & CO.**

Chartered Accountants
Firm Reg. No. 101591W

(V.R. BRAMHECHA)
Partner
Mem No. 039904

Place: MUMBAI
Date: 24.05.2018

"ANNEXURE B" TO THE AUDITORS' REPORT

[Referred to in Our Report of even date]

Report on C&AG Directions under Section 143(5) of Companies Act, 2013 for the Financial Year 2017-18 in respect of statutory audit of Millennium Telecom Limited

Point-wise audit observations for each CAG direction under Section 143(5) of the Companies Act 2013 are given below

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**

   Audit Observation:

   On the basis of explanation given to us and based on our verification, we hereby report that there is no immovable property in the name of the company and the comment on clear title/lease deeds does not arise in this case.

2. **Whether there are any cases of waiver / write off of debts / loans / interest etc. if yes, the reasons therefore and the amount involved.**

   Audit Observation:

   On the basis of explanation given to us and based on our verification, we hereby report that the company has not written off any amount during the period covered under audit.

3. **Whether proper records are maintained for inventories lying with third parties & assets received as gift / grant(s) from Govt. or other authorities.**

   Audit Observation:

   On the basis of explanation given to us and based on our verification, we hereby report that no inventories were lying with third parties as on 31.03.2017. Further no assets were received as gift from Government or other Authorities.

For **BRAMHECHA MODI & CO.**
Chartered Accountants
Firm Reg. No. 101591W

(V.R. BRAMHECHA)
Partner
Mem No. 039904

Place: MUMBAI
Date: 24.05.2018

ANNEXURE - C TO THE AUDITORS' REPORT

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 **MILLENIUM TELECOM LIMITED** ("The Company") as of 31 March 2018 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.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **BRAMHECHA MODI & CO.**

Chartered Accountants
Firm Reg. No. 101591W

(V.R. BRAMHECHA)
Partner
Mem No. 039904

Place: MUMBAI

Date: 24.05.2018

MILLENNIUM TELECOM LIMITED

Balance Sheet as at 31 March, 2018

Amount in Rupees

	Particulars	Note No.	As at March 31, 2018	As at March 31, 2017
	1	2	3	4
	ASSETS			
1	**Non-current assets**			
	Property, Plant and Equipments	2	45,617	48,776
	Deffered Tax (Assets)	3	33,570	47,184
	Other non current Assets	4	6,916,340	6,325,314
			6,995,527	6,421,274
2	**Current assets**			
	Inventories		-	-
	Financial Assets			
	Trade Receivable	5	22,045,618	19,206,616
	Cash & Bank Balance	6	86,338,490	45,256,228
	Other current financial asset	7	1,174,213	1,174,213
	Current Tax Assets	8	3,119,075	1,279,008
	Other current assets	9	5,782,669	7,909,130
			118,460,065	74,825,195
	TOTAL ASSETS		**125,455,592**	**81,246,469**
	EQUITY AND LIABILITIES			
	Equity			
	Equity Share capital	10	28,758,800	28,758,800
	Other Equity	11	22,239,105	19,415,181
			50,997,905	48,173,981
	LIABILITIES			
1	**Non current liabilities**			
	Other non-current liabilities	12	2,177,000	2,177,000
			2,177,000	2,177,000
2	**Current liabilities**			
	Financial Liabilities			-
	Trade Payable	13	6,696,355	6,537,227
	Other Financial Liabilities	14	13,710,331	8,002,463
	Current Provision	15	3,598,592	12,419,561
	Other Current Liabilities	16	48,275,409	3,936,237
			72,280,687	30,895,488
	TOTAL EQUITY AND LIABILITIES		**125,455,592**	**81,246,469**

For M/s Bramhecha & Modi & Co
Chartered Accountants
Firm's Registration No.:101591W

For and on behalf of the Board of Directors

CA VARDHAMAN R. BRAMHECHA
Partner
Membership No. 039904

Sunil Kumar
Chairman & Director

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 24.05.2018

Place: Delhi
Date : 24.05.2018

MILLENNIUM TELECOM LIMITED

PART II – Profit and Loss Statement for the year ended 31 March, 2018

Amount in Rupees

	Particulars	Note No.	Year ended 31 March 2018	Year ended 31 March 2017
	1	2	3	4
I	Revenue from operations	17	67,577,399	48,213,943
II	Other income	18	2,321,614	3,023,585
III	Total Income (I+II)		69,899,013	51,237,528
IV	**Expenses**			
	Cost of material consumed			
	Purchase of Stock in Trade	19	-	15,250
	"Changes in inventories of finished goods work-in-progress and Stock-in-Trade "		-	-
	Employee benefits expense			
	Finance costs	20	847	13,745
	(f) Depreciation and amortisation expense	21	3,159	3,159
	(g) Other expenses	22	62,801,350	46,509,090
	Total expenses		62,805,356	46,541,244
V	**Profit / (Loss) before exceptional and extraordinary items and tax (III-IV)**		7,093,657	4,696,284
VI	Exceptional items		-	-
VII	**Profit / (Loss) before tax (V-VI)**		7,093,657	4,696,284
VIII	**Tax expense:**			
	(a) Current tax		1,825,977	1,398,679
	(b) Tax of earlier years		(4,216)	(701,571)
	(b) Deferred Tax		13,614	8,617
			1,835,375	705,725
IX	**Profit / (Loss) for the period from continuing operation (VII-VIII)**		**5,258,282**	**3,990,559**
X	**Profit / (Loss) from discontinuing operations**			
XI	**Tax expenses for discontinuing operations**			
XII	**Profit / (Loss) from discontinuing operations after tax (IX+XII)**		-	-
XIII	**Profit / (Loss) for the period (XI-XIII)**		**5,258,282**	**3,990,559**
XIV	**Other Comprehensive Income**		**-**	**-**
XV	**Total Comprehensive Income for the period (XIII+XIV)(Comprising Profit (Loss) and Other Comprehensive Income 'for the period)**		**5,258,282**	**3,990,559**
XVI	**Earnings per share (For continuing operation)**			
	(a) Basic		1.83	1.39
	(b) Diluted		1.83	1.39
XVII	**Earnings per share (For discontinued operation)**			
	(a) Basic			
	(b) Diluted			
XVIII	**Earnings per share (For continuing & discontinued operation)**			
	(a) Basic		1.83	1.39
	(b) Diluted		1.83	1.39
	SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	**1 & 23 to 36**		

As per our report attached.
For M/s Bramhecha & Modi & Co
Chartered Accountants
Firm's Registration No.:101591W

For and on behalf of the Board of Directors

CA VARDHAMAN R. BRAMHECHA
Partner
Membership No. 039904

Sunil Kumar
Chairman & Director

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 24.05.2018

Place: Delhi
Date : 24.05.2018

MILLENNIUM TELECOM LIMITED

Cash Flow Statement for the year ended 31 March, 2018

PARTICULARS	As at March 31, 2018		As at March 31, 2017	
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		7,093,657		4,696,284
Adjustments for:				
Depreciation and amortisation	3,159		3,159	
Finance costs	847		13,745	
Interest income	(2,281,614)		(2,543,669)	
Dividend Declared	(1,437,941)			
Dividend Distribution Tax	(300,887)			
Dividend Declared	(575,176)		-	
Dividend Distribution Tax	(120,355)		-	
Income Tax earlier year	4,216	(4,707,751)	701,571	(1,825,194)
Operating profit / (loss) before working capital changes		**2,385,906**		**2,871,090**
Changes in working capital:				
Adjustments for (increase) / decrease in operating assets:				
Inventories				
Trade receivables	(2,839,002)		2,653,960	
Other current financial assets	-		(1,000,000)	
Other current tax asset	(1,840,067)		(1,279,008)	
Other current assets	2,126,461		(7,050,777)	
Other non-current assets	(591,026)		858,957	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	159,128		(4,989,013)	
Other current financial liabilities	5,707,868		3,106,116	
Other current liabilities	(8,820,969)		11,718,113	
Other Long-term liabilities	-		-	
Short-term provisions	44,339,172	38,241,565	2,334,302	6,352,650
		40,627,471		9,223,740
Cash flow from extraordinary items		-		-
Cash generated from operations		40,627,471		9,223,740
Net income tax (paid) / refunds		(1,825,977)		(1,398,679)
Net cash flow from / (used in) operating activities (A)		**38,801,494**		**7,825,061**
B. Cash flow from investing activities				
Interest received				
- Others Bank FD	2,232,981		2,465,227	
- Others	48,633	2,281,614	78,442	2,543,669
Purchase of Fixed Asset		-		-

Net cash flow from / (used in) investing activities (B)		**2,281,614**		**2,543,669**
C. Cash flow from financing activities				
Proceeds from other long-term advances	-		-	
Repayment of other short-term borrowings	-		-	
Finance cost	(847)	(847)	(13,745)	(13,745)
Net cash flow from / (used in) financing activities (C)		**(847)**		**(13,745)**
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		**41,082,261**		**10,354,985**
Cash and cash equivalents at the beginning of the year		45,256,228		34,901,243
Cash and cash equivalents at the end of the year		**86,338,490**		**45,256,228**
Reconciliation of Cash and cash equivalents with the Balance Sheet				
Cash and cash equivalents as per Balance Sheet (Refer Note 5)		86,338,490		45,256,228
Less: Bank balances not considered as Cash and cash equivalents as defined in Ind-AS 7 Cash Flow Statements		-		-
Net Cash and Cash equivalents (as defined in IND-AS 7 Cash Flow Statements) included in Note 5		86,338,490		45,256,228
Add: Current investments considered as part of Cash and cash		-		-
Cash and cash equivalents at the end of the year *		**86,338,490**		**45,256,228**
* Comprises:				
(a) Cash on hand		-		-
(b) Cheques, drafts on hand		-		-
(c) Balances with banks				
(i) In current accounts		54,485,800		302,563
(ii) In deposit accounts with original maturity of less than 3 months		31,852,690		44,953,665
		86,338,490		**45,256,228**

As per our report attached.
For M/s Bramhecha & Modi & Co
Chartered Accountants
Firm's Registration No.:101591W

For and on behalf of the Board of Directors

CA VARDHAMAN R. BRAMHECHA
Partner
Membership No. 039904

Sunil Kumar
Chairman & Director

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 24.05.2018

Place: Delhi
Date : 24.05.2018

MILLENNIUM TELECOM LIMITED

Significant accounting policies and other explanatory information for the year ended March 31, 2018

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"

1.1 "The corporate office of Millennium Telecom Limited has been shifted to follwing address for administrative convenience w.e.f.from 13-03-2018 ROOM NO 4208,4TH FLOOR, MAHANAGAR DOORSANCHAR SADAN 9 CGO COMPLEX, LODHI ROAD, NEW DELHI, SOUTH DELHI -110003"

1.1 Significant accounting policies

Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind-AS) 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.

1.2 Property Plant and Equipment

All items of property, plant and equipment are stated at cost of acquisition historical cost less accumulated depreciation and impairment loss, if any. Cost includes of cost of acquisition, construction and installation, taxes, duties, freight and other incidental expenses that are directly attributable to bringing the asset to its working conditions for the intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment recognised as at 1 April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives of the assets as specified under Schedule II of the Companies Act, 2013 and in manner as specified in that Schedule II.

1.3 Impairment of non financial 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. An impairment loss is charged to the Statement of Profit and Loss in the year in which an asset is identified as impaired. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. The impairment loss recognized in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount to the carrying amount of the asset that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior accounting periods.

1.4 Investments and other financial assets

Classification

The Company classifies its financial assets in the following measurement categories:

“ - those to be measured subsequently at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVPL), and“

- those measured at amortised cost

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through statement of profit and loss are expensed in profit or loss.

Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

De-recognition of financial assets

A financial asset is derecognised only when

- The Company has transferred the rights to receive cash flows from the financial asset or
- retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.”

Interest income from financial assets

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

1.5 Inventories

Inventories are valued lower of cost or net realisable value.

1.6 Revenue Recognition

“Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, value added taxes and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company’s activities.“

1.7 Employee benefits

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

1.8 Provisions and contingent liabilities

“Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. The company does not recognize a contingent liability but discloses its existence in the financial statements.”

1.9 Income tax

“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."

1.10 Cash and cash equivalents

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.

1.11 Use of estimates

The preparation of the financial statements in conformity with Indian Accounting Standard 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.

MILLENNIUM TELECOM LIMITED

Balance Sheet as at 31st March 2018

Property Plant and Equipment	Furniture and fixtures	Office equipment	Electrical fittings	Computers	Vehicles	Total
Carrying amount as on 01-Apr-2017	23,713	17,029	3,111	4,922	1	48,776
Addition						
Accumulated depreciation						
Opening accumulated depreciation	-	-	-	-		-
Depreciation charge duting the year				3,159		3,159
Assets included in a disposal group classified as held for sale						
Disposals						
Exchange differences						
Closing accumulated depreciation	**-**	**-**	**-**	**3,159**	**-**	**3,159**
Net carrying amount	**23,713**	**17,029**	**3,111**	**1,763**	**1**	**45,617**

MILLENNIUM TELECOM LIMITED

Significant accounting policies and other explanatory information for the year ended March 31, 2018

Note No	Particulars	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
3	**Deferred tax assets**		
	Timing difference between book depreciation and depreciation as per Income Tax Act, 1961	33,570	47,184
		33,570	**47,184**
4	**Non current tax assets**		
	Advance tax (net of provisions)	6,916,340	6,325,314
		6,916,340	**6,325,314**
5	**Trade receivables (Unsecured)**		
	Considered good	22,045,618	19,206,616
	Considered doubtful	273,971	273,971
		22,319,589	19,480,587
	Less: Provision for doubtful debts	(273,971)	(273,971)
		22,045,618	**19,206,616**
6	**Cash and cash equivalents**		
	Cash in hand	-	-
	Balance with banks		
	- current accounts	54,485,800	302,563
	- in deposit account with original maturity upto 3 months	31,852,690	44,953,665
		86,338,490	**45,256,228**
7	**Other current financial asset**		
	Receivable from related parties	174,213	174,213
	Bank Guarantee	1,000,000	1,000,000
		1,174,213	**1,174,213**
8	**Other current tax assets**		
	Income tax refund receivable	3,119,075	1,279,008
		3,119,075	**1,279,008**
9	**Other current assets**		
	Prepaid expenses	-	3,159,330
	Balance with statutory authorities	5,782,669	4,749,800
		5,782,669	**7,909,130**

Equity shares capital	As at March 31, 2018 RUPEES	As at March 31, 2017 RUPEES
Authorised		
10,00,00,000 (Previous Year:10,00,00,000) Equity Shares of Rs. 10 each	100,000,0000	100,000,0000
Issued		
28,75,880 (Previous Year:28,75,880) Equity Shares of Rs. 10 each	28,75,8800	28,75,8800
Subscribed and fully paid up		
28,75,880 (Previous Year:28,75,880) Equity Shares of Rs. 10 each	28,75,8800	28,75,8800
	28,75,8800	**28,75,8800**

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, 2017				
- Number of shares	28,75,880	-	-	28,75,880
- Amount (Rs.)	2,87,58,800	-	-	2,87,58,800
Year ended 31 March, 2016				
- 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	Equity shares with voting Rights
	Number of Shares
As at 31 March, 2018	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880
As at 31 March, 2017	
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	2,875,880	100	2,875,880	100

Statement of Changes in Equity for the year ended March 31, 2018

Equity share capital

	Number of shares	Amount
As at April 01, 2017	28,758,800	28,758,800
Changes during the year	-	-
As at March 31, 2018	**28,758,800**	**28,758,800**

Other equity

	Revenue Reserve	Retained earnings
Opening balance as at April 01, 2017	724,119	18,691,062
Profit / (loss) for the year		5,258,282
Dividend and Proposed Dividend		**(2,013,117)**
Dividend Tax and Provision for tax		(421,242)
Closing balance as at March 31, 2018	**724,119**	**21,514,986**

Significant accounting policies and other explanatory information for the year ended March 31, 2018

Other Equity	**As at March 31, 2018 Rupees**	**As at March 31, 2017 Rupees**
Reserves and surplus		
Revenue reserve		
Opening balance	724,119	724,119
Add: Additions / transfers during the year		
Less: Utilisations / transfers during the year		
Amortization of fixed assets as per new Companies Act 2013		
Closing balance	**724,119**	**724,119**
Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	18,691,062	14,700,504
Add: Profit / (Loss) for the current year	5,258,282	3,990,559
Less: Dividend	(1,437,941)	
Less: Dividend Distribution Tax	(300,887)	
Less: Proposed Dividend	(575,176)	
Less: Provision for Dividend Distribution Tax on Proposed Dividend	(120,355)	
Closing balance	**21,514,986**	**18,691,062**
Total	**22,239,105**	**19,415,181**

Note No	**Particulars**	**As at March 31, 2018 Rupees**	**As at March 31, 2017 Rupees**
12	**Other non current liabilities**		
	Mobilization Advance Received from Jammu & Kashmir E-Gov	2,177,000	2,177,000
		2,177,000	**2,177,000**
13	**Trade Payables**		
	Due to MSME	-	-
	Due to Others	6,696,355	6,537,227
		6,696,355	**6,537,227**

Note No	Particulars	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
17	**Other current financial liabilities**		
	Advances from related parties	6,060,175	5,957,463
	Interim Dividend Payable	1,437,941	
	Proposed Dividend	575,176	
	Earnest money deposit and security deposit	5,637,039	2,045,000
		13,710,331	**8,002,463**
15	**Current Provisions**		
	Provision for expenses	3,598,592	12,419,561
		3,598,592	**12,419,561**
16	**Other current liabilities**		
	Income Received in Advance	47,160,750	115,533
	Statutory remittances (Professional Tax, Service Tax, TDs payable)	1,114,659	3,820,704
		48,275,409	**3,936,237**

17	**Revenue from operations**		
	Sales of Products		17,000
	Sales of Services	66,140,583	47,542,943
	Other Operating Revenues	1,436,816	654,000
	Service Tax / GST	**19,653,858**	**7,240,439**
	Gross Revnue	**87,231,257**	**55,454,382**
	Less: Service Tax / GST	(19,653,858)	(7,240,439)
	Net Revenue from operations	**67,577,399**	**48,213,943**
18	**Other Income**		
	Interest income	2,281,614	2,543,669
	Tender & EMD forfeiture	40,000	479,916
		2,321,614	**3,023,585**
19	**Purchase of Stock in trade**		
	Cost of Goods Traded		
	Opening Stock	-	-
	Purchases		15,250
	Closing Stock	-	-
		-	**15,250**
	Changes in inventories of finished goods work-in-progress and Stock-in-Trade		
	Inventories at end of year		
	-Traded goods	-	-
	-Work in Progress	-	-
	-Finished Goods	-	-
	Inventories at begining of year		
	-Traded goods	-	-
	-Work in Progress	-	-
	-Finished Goods	-	-
	Net changes in Inventories	**-**	**-**

20	**Finance costs**		
	Bank Charges	847	13,713
	Interest on Indirect Statutory Payments		32
		847	**13,745**
21	**Other expenses**		
	Direct Expenses	62,321,547	46,102,165
	Honorium paid to Prabhu		5,000
	Meeting Expenses	8,792	16,951
	Rates and taxes	2,500	2,500
	Travelling and conveyance	179,601	150,297
	Printing and stationery	27,742	19,515
	Postage	1,597	1,090
	Tender Expenses		3,102
	Late Fees for filing GST return	19,840	-
	Legal and professional	492	308
	CS Fees	11,270	40,202
	Incindetal Charges for Registerd Office Transfer	84,000	
	Fees to CA other than Audit	35,000	59,290
	Income Tax Appeal fees		10,000
	RoC Filing Fees	21,800	9,219
	Payments to auditors	84,750	84,090
	Digital Signature		1,800
	Repair & Maintenance	1,475	-
	Miscellaneous expenses	944	3,561
		62,801,350	**46,509,090**
22.	**Tax expense**		
	Current tax expense		
	Current tax for the year	1,821,761	1,773,480
	Deferred taxes		
	Change in deferred tax assets	7,004	8,617
		1,828,765	**1,782,097**
	Tax reconciliation (for profit and loss)		
	Profit before income tax expense	7,093,657	4,696,284
	Tax at the rate of 30.9%	2,191,940	1,451,152
	Tax effect of amounts which are not deductible / not taxable in calculating taxable income		
	Depriciation	(22,330)	34,205
	Penalty & Interest	19,840	10
	Ind AS adjustments		(43,866)
		(2,490)	**(9,651)**

23	**Fair value measurements**

Financial instruments by category:

All financial assets and financial liabilities of the company are under the amortised cost measurement category at each of the reporting dates.

Fair value hierarchy

"The fair values of the financial assets and liabilities are included at the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table."

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. For example, listed equity instruments that have quoted market price.

Level 2 : The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments in the level 2 category for the company include forward exchange contract derivatives.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level.

The carrying amounts of trade receivables, other financial assets, fixed deposits with banks, trade payables and other current financial liabilities are considered to be approximately equal to the fair value.

24	**Financial risk management**

The company is exposed to credit risk and liquidity risk.

Credit risk

Credit risk arises from cash and bank balances, trade receivables and other financial assets carried at amortised cost.

Credit risk management

To manage credit risk, the Company periodically assesses the financial reliability of customers and other counterparties, taking into account the financial condition, current economic trends, analysis of historical bad debts and ageing of accounts receivable. Individual risk limits are set accordingly. There is no significant concentration of credit risk.

Bank balances are held with only high rated banks. The major portion of trade receivables are due from parent company. Accordingly, the provision for impairment is considered immaterial.

Liquidity risk

Liquidity risk is defined as the risk that the Company will not be able to settle or meet its obligations on time or at a reasonable price. For the Company, liquidity risk arises from obligations on account of financial liabilities – trade payables and other financial liabilities.

The Company's finance department is responsible for liquidity and settlement management. Also the liquidity position is assessed at reasonable intervals through budgeted cashflow.

Maturities of non – derivative financial liabilities

As at March 31 ,2018

Particulars	Within 6 months	6 months to 1 year	Total
Trade Payables	322,540	6,373,815	6,696,355
Other current financial liability		13,710,331	13,710,331

As at March 31 ,2017

Trade Payables	298,992	6,238,235	6,537,227
Other current financial liability		8,002,463	8,002,463

25	**Related party transactions 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, Shri R M Agarwal, Direcor Shri Sultan Ahmed, Director Shri S S Jain COO-Delhi Shri Sanjay Khare COO -Mumbai No transaction with any ofthem.
	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.	

26	**Details of related party transactions during the year ended 31 March, 2018 and balances outstanding as at 31 March, 2018:**				
		Associates : Bharat Sanchar Nigam Ltd. / United Tele-com Ltd	**Ultimate Holding Company : Mahanagar Telephone Nigam Ltd.**	**Fellow Sub-sidiaries : Mahanagar Telephone Nigam (Mauritius) Ltd**	**Total**
	Balances outstanding at the end of the year				
	Trade receivables	-	10,197,478	-	10,197,478
		-	(10,197,478)	-	(10,197,478)
	Advances to parent company	-	174,213	-	174,213
		-	(174,213)	-	(174,213)
	Advances from parent company	-	6,060,175	-	6,060,175
		-	(5,957,463)	-	(5,957,463)
	Provision for doubtful receivables, loans and advances	-	-	-	-
		-	-	-	-
	Note: Figures in bracket relates to the previous year				

		As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
27	**Contingent liabilities and commitments (to the extent not provided for)**		
(i)	**Contingent liabilities**		
	(a) Claims against the Company not acknowledged as debt (give details)		
	(a) (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)	-	10,503,998
	(a) (ii) AY 2004-05 case pending with ITAT (Appeal) for disallowance deduction u/s 80IA of Income Tax	3,496,764	3,496,764
	(a) (iii) AY 2005-06 case pending with ITAT (Appeal) for disallowance deduction u/s 80IA of Income Tax	4,349,058	4,349,058
	(a) (iv) AY 2007-08 case pending ITO as comssioner allowed part appeal and send it for reassessment	-	634,050
	(a) (v) AY 2008-09 case pending with ITO for details of demand	461,669	461,669
	(a) (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.	-	822,985
	(a) (vii) AY 2010-11 demand adjusted against the refund of AY 2012-13	-	23,057
28	The company operates in one segment i.e. providing of services in India.		
29	**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, 2018 and March 31, 2017.** 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.		
30	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.		
31	Details of consumption of imported and indigenous items are Nil for the company. The company has made gross sale of services was Rs 8,72,31,257 /-		

32	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.
33	Account balance confirmation and reconciliation not available for transactions and balances with Holding Company MTNL. Hence balance appearing in the books in respect of MTNL are subject to confirmation and reconciliation as on 31.3.2018
34	No bill wise details available regarding status of Statutory remittances pending as per Note No.8 towards service tax liability of Rs.5,40,054/-.
35	The Company's Board of Directors is responsible with respect to the preparation of financial statements in accordance with the requirements of Indian Accounting Standard (Ind AS) 34, "Interim Financial Reporting" as specified under Section 133 of the Companies Act, 2013 ('Act') read with the relevant rules issued thereunder and other accounting principles generally accepted in India. The Board of Directors are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design,implementation and maintenance of adequate internal financial control that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements are free from material misstatement, whether due to fraud or error.
36	Bank statement not provided by ICICI Bank having balance of Rs 100825 as account is marked under lien by the bank due to order by income tax authorities.

As per our report attached
For M/s Bramhecha & Modi & Co
Chartered Accountants
Firm's Registration No.:101591W

For and on behalf of the Board of Directors

CA VARDHAMAN R. BRAMHECHA
Partner
Membership No. 039904

Sunil Kumar
Chairman & Director

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 24.05.2018

Place: Delhi
Date : 24.05.2018

MILLENNIUM TELECOM LIMITED

Annexures to the Notes forming part of the financial statements

Annexures to note no 4

Non Current Tax Assets	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Income Tax Paid (A.Y. 2003-04)	6,375,775	6,375,775
Income Tax Paid (A.Y. 2004-05)	4,082,337	3,496,764
Income Tax Paid (A.Y. 2005-06)	3,819,306	3,819,306
	14,277,418	**13,691,845**
Less: Provision for taxation		
AY 2003-04	(5,983,525)	(5,983,525)
AY 2004-05	(454,410)	(454,410)
AY 2005-06	(941,800)	(941,800)
AY 2009-10		(5,453)
Total	**6,897,683**	**6,306,657**
TDS Assets:-		
TDS Assests F.Y 2015-16	14,986	14,986
TDS Assests F.Y 2016-17	3,671	3,671
TOTAL	**6,916,340**	**6,325,314**

Annexures to note no 5

Trade Receivable	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Considered Good		
CE (BW), MTNL, Delhi	1,724,630	1,724,630
CE (BW), MTNL, Mumbai	1,260,870	1,260,870
GM (Mktg & PR), MTNL, Mumbai	267,400	267,400
GM (Mktg), MTNL, Delhi	6,010,020	6,010,020
GM (Mktg-GSM), MTNL Delhi	120,410	120,410
GM (Mktg-GSM), MTNL, Mumbai	32,400	32,400
SVP (Mktg), MTNL, CO	375,255	375,255
GM (Mktg), MTNL, Delhi (CUH project)	406,493	406,493
JAMMU & KASHMIR E GOV	9,009,138	9,009,138
UP Building and Other Construction Worker Welfare Board	2,839,002	
	22,045,618	**19,206,616**
Considered doubtful		
Cement Corporation of India	215,771	215,771
HPSEDC	58,200	58,200
	273,971	**273,971**
Provision for bad-debt	273,971	273,971

Annexures to note no 6

Cash and Bank Balance	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Balances with banks		
(i) In current accounts		
IOB A/C - Mumbai	861,292	201,738
IOB A/C - Delhi	53,523,683	-
ICICI A/C	100,825	100,825
	54,485,800	302,563
(ii) In deposit fixed deposit accounts	31,852,690	44,953,665

Annexures to note no 7

Other current asset	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Income Tax refund receiveble AY 2007-08	636,478	636,478
Income Tax refund receiveble AY 2015-16	87,849	265,592
Income Tax refund receiveble AY 2017-18	-	376,938
Income Tax refund receiveble AY 2018-19	2,394,748	
TOTAL	**3,119,075**	**1,279,008**

Annexures to note no 9

Balance with statutory authorities	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
CGST Credit-Mah	5,529,607	
SGST Credit-Mah	3,960	
IGST Credit-Mah	3,111	
CGST Credit Delhi	8,997	
SGST Credit Delhi	12,597	
CENVAT Credit receivable		4,564,281
Cess credit receivable	20,761	20,761
Krishi Kalyan Cess credit	203,636	164,758
	5,782,669	**4,749,800**

Annexures to note no 13

Trade payable	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Sundry creditors		
Telexcell Information System Ltd - CuH	98,645	98,645
Telexcell Information System Ltd - Air India	172,767	-
ITI Limited	36,935	36,935
GAAP Education Pvt ltd	6,238,235	6,238,235
Creditor for expenses		
AK Jain & Co.	-	3,150
BRAMHECHA MODI & CO	67,500	67,500
A.M.Jain & Co.	-	67,500
RSD ASSOCIATES	-	21,000
UNNITHAN	-	4,262
D LINE INFOSYS	1,350	-
S S Jain	15,472	-
India News Communications Ltd	65,451	-
TOTAL	**6,696,355**	**6,537,227**

Annexures to note no 14

Other current financial liabilities	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Advances from related parties		
Holding Company Mahanagar Telephone Nigam Ltd		
Delhi Unit	4,811,756	4,709,044
Mumbai Unit	1,248,419	1,248,419
	6,060,175	5,957,463
Trade / security deposits received		
EMD FROM TELEXCELL	10,000	10,000
Deposit from Vikas Buildtech Pvt. Ltd.	5,227,039	1,635,000
DEPOSIT OF BDA	400,000	400,000
	5,637,039	2,045,000

Annexures to note no 15

Current Provision	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Provision for Air India	-	81,937
Provision for CUH-WiFi	259,167	259,167
Provision for MPLS toll plaza	112,000	112,000
Provision for UP GIS project	3,215,425	11,954,457
Provision for other exp	9,000	9,000
Insurance Charges Payable	3,000	3,000
	3,598,592	**12,419,561**

Annexures to note no 16

Other current liabilities	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Income Received in Advance		
UP-GIS Survey	47,160,750	
RF Connectivity		115,533
MPLS toll Plaza	-	
	47,160,750	115,533
Statutory remittances (Professional Tax, Service Tax, TDs payable)		
Service Tax Not due for Payable - 10.2%	310945	310945
Service Tax Not due for Payable - 5%	229109	229109
TDS Payable	24054	3279800
VAT Payable		850
Dividend Distribution Tax payable	300887	
Dividend Distribution Tax Not due for payable	120355	
GST Payable	129309	
TOTAL	1114659	3820704

Annexures to note no 17

Revenue from operations	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Sales of Products		17,000
Sales of Service		
UP GIS SURVEY	66,025,050	47,160,750
Other service's to MTNL		-
RF connectivity to AIR India	115,533	193,968
Web Hosting Charges to NHAI		42,225
MPLS CONNECTIVITY		146,000
	66,140,583	**47,542,943**
Other Operational Income		
PMC Charges	1,436,816	654,000
	1,436,816	**654,000**
Service Tax	4,244,467	7,240,439
GST	15,409,391	
	19,653,858	**7,240,439**
	87,231,257	**55,437,382**

Annexures to note no 18

Other Income	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
Interest Income		
FD Interest	2,232,981	2,465,227
Interest on Income Tax Refund	48,633	78,442
	2,281,614	**2,543,669**
Tender & EMD forfeiture		
Tender	40,000	219,048
EMD forfeiture		260,868
	40,000	**479,916**

Annexures to note no 21

DIRECT EXPENSES	As at March 31, 2018 Rupees	As at March 31, 2017 Rupees
UP GIS PROJECT	62,228,264	45,871,067
RF connectivity to AIR India	93,283	164,965
Web Hosting Charges to NHAI		33,333
MPLS Connectivity to toll plaza		32,800
	62,321,547	**46,102,165**

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Mahanagar Telephone (Mauritius) Ltd** ("the Company")and its subsidiaries("the Group")set out on pages 15 to 42, which comprise the statement of financial position as at 31 March 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements give a true and fair view of the financial position of the Group and Company as at 31 March 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the commentary of the directors and certificate from the company secretary, or any other information. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are

inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matter

This report is made solely to the Company's members, in accordance with Section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters that we are required to state 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, for our audit work, for this report, or for the opinions we have formed.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act 2001

- We have no relationship with or interests in the Group and 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 Company as far as it appears from our examination of those records.

The financial reporting Act 2004

- The Directors are responsible for preparing the Corporate Governance Report and making the disclosures required by Section 8.4 of the Code of Corporate Governance of Mauritius ("Code"). Our responsibility is to report on these disclosures.
- In our opinion, the disclosures in the Corporate Governance Report are not consistent with the requirements of the Code.

MOORE STEPHENS
Chartered Accountants

Arvin Rogbeer, FCA, FCCA
Signing Partner
Licensed by FRC

Port Louis
REPUBLIC OF MAURITIUS

Date : 22nd May, 2018

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

		The Group		The Company	
	Notes	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
ASSETS					
Non-current assets					
Property, plant and equipment	**5 (a)**	**575,340,660**	663,663,905	**575,340,660**	663,663,905
Investment property	**5 (b)**	**50,137,156**	39,663,741	**50,137,156**	39,663,741
Investment in subsidiaries	**6**	**-**	-	**12,000,000**	12,000,000
		625,477,816	703,327,646	**637,477,816**	715,327,646
Current assets					
Inventories	**7**	**4,084,847**	3,489,189	**4,084,847**	3,489,189
Trade and other receivables	**8**	**104,180,828**	52,177,633	**104,229,228**	52,225,033
Cash and cash equivalents	**9**	**215,558,863**	178,652,313	**215,558,863**	178,652,313
		323,824,538	234,319,135	**323,872,938**	234,366,535
TOTAL ASSETS		**949,302,354**	937,646,781	**961,350,754**	949,694,181
EQUITY AND LIABILITIES					
Equity					
Stated capital	**10**	**673,717,949**	673,717,949	**673,717,949**	673,717,949
Revenue reserves	**11**	**25,719,008**	11,859,296	**25,767,258**	11,906,696
Total equity		**699,436,957**	**685,577,245**	**699,485,207**	**685,624,645**
Non-current liabilities					
Payable to related companies		**-**	-	**12,000,000**	12,000,000
Deferred taxation	**15**	**29,254,384**	25,460,263	**29,254,534**	25,460,263
		29,254,384	25,460,263	**41,254,534**	37,460,263
Current liabilities					
Trade and other payables	**12**	**214,611,013**	213,109,273	**214,611,013**	213,109,273
Proposed dividend		**6,000,000**	13,500,000	**6,000,000**	13,500,000
		220,611,013	226,609,273	**220,611,013**	226,609,273
TOTAL EQUITY AND LIABILITIES		**949,302,354**	**937,646,781**	**961,350,754**	**949,694,181**

Approved by the Board of Directors on 22nd May, 2018

DIRECTOR **DIRECTOR**

The notes on pages 19 to 42 form an integral part of these financial statements.

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

		The Group		The Company	
	Notes	**2018 Rs.**	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Turnover	**3(d)**	**495,951,228**	521,054,488	**495,951,228**	521,054,488
Cost of sales	**24**	**(140,974,172)**	(148,382,543)	**(140,974,172)**	(148,382,543)
Gross profit		**354,977,056**	372,671,945	**354,977,056**	372,671,945
Personnel expenses	**25**	**(15,936,673)**	(16,376,453)	**(15,936,673)**	(16,376,453)
Licence fees	**26**	**(27,824,653)**	(27,088,555)	**(27,824,653)**	(27,088,555)
Administrative expenses	**27**	**(151,608,131)**	(150,450,414)	**(151,607,131)**	(150,449,414)
Marketing expenses	**28**	**(21,495,161)**	(24,898,087)	**(21,495,161)**	(24,898,087)
Depreciation		**(132,075,566)**	(140,295,312)	**(132,075,566)**	(140,295,312)
Profit from operations	**17**	**6,036,872**	13,563,124	**6,037,872**	13,564,124
Other income	**13**	**4,205,044**	3,274,275	**4,205,044**	3,274,275
Net finance income	**14**	13,411,917	9,046,090	13,411,917	9,046,090
Profit before tax		**23,653,833**	25,883,489	**23,654,833**	25,884,489
Taxation	**15**	**(3,794,121)**	(4,349,482)	**(3,794,271)**	(4,349,482)
PROFIT FOR THE YEAR		**19,859,712**	21,534,007	**19,860,562**	21,535,007
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		**19,859,712**	**21,534,007**	**19,860,562**	**21,535,007**
Earnings per share	**16**	**0.03**	0.03	**0.03**	0.03

The notes on pages 19 to 42 form an integral part of these financial statements.

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

THE GROUP	Stated capital Rs.	Revenue Reserves Rs.	Total Rs.
Balance at 01 April 2016	673,717,949	3,825,289	677,543,238
Profit for the year	-	21,534,007	21,534,007
Proposed Dividend	-	(13,500,000)	(13,500,000)
Balance at 31 March 2017	673,717,949	**11,859,296**	**685,577,245**
Balance at 01 April 2017	673,717,949	11,859,296	685,577,245
Profit for the year	-	19,859,712	19,859,712
Proposed dividend		(6,000,000)	(6,000,000)
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2018	**673,717,949**	**25,719,008**	**699,436,957**

THE COMPANY	Stated capital Rs.	Revenue Reserves Rs.	Total Rs.
Balance at 01 April 2016	673,717,949	3,871,689	677,589,638
Profit for the year	-	21,535,007	21,535,007
Proposed Dividend	-	(13,500,000)	(13,500,000)
Balance at 31 March 2017	673,717,949	11,906,696	685,624,645
Balance at 01 April 2017	**673,717,949**	**11,906,696**	**685,624,645**
Profit for the year	-	19,860,562	19,860,562
Proposed dividend		(6,000,000)	(6,000,000)
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2018	**673,717,949**	**25,767,258**	**699,485,207**

The notes on pages 19 to 42 form an integral part of these financial statements.

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Note	The Group 2018 Rs.	The Group 2017 Rs.	The Company 2018 Rs.	The Company 2017 Rs.
Cash flow from operating activities					
Profit before tax		**23,653,833**	25,883,489	**23,654,833**	25,884,489
Adjustments for:-					
Depreciation		**132,075,566**	140,295,312	**132,075,566**	140,295,312
Interest received		**(3,038,101)**	(2,724,622)	**(3,038,101)**	(2,724,622)
Operating profit before working capital changes		**152,691,298**	**163,454,179**	**152,692,298**	**163,455,179**
Decrease in inventories		**(595,658)**	(462,718)	**(595,658)**	(462,718)
Decrease in trade and other receivables		**(52,003,195)**	8,077,113	**(52,004,195)**	8,076,113
(Decrease) / increase in trade and other payables		**1,501,740**	**(17,952,872)**	**1,501,740**	**(17,952,872)**
Cash generated from operations		**101,594,185**	153,115,702	**101,594,185**	153,115,702
Interest received		**3,038,101**	2,724,622	**3,038,101**	2,724,622
Net cash generated from operating activities		**104,632,286**	**155,840,324**	**104,632,286**	**155,840,324**
Cash flows from investing activities					
Purchase of property, plant and equipment		**(54,225,736)**	**(110,468,571)**	**(54,225,736)**	**(110,468,571)**
Net cash used in investing activities		**(54,225,736)**	**(110,468,571)**	**(54,225,736)**	**(110,468,571)**
Cash flows from Financing activities					
Dividend Paid		**(13,500,000)**	-	**(13,500,000)**	-
Net cash used in Financing activities		**(13,500,000)**	**-**	**(13,500,000)**	**-**
Net movement in cash and cash equivalents		**36,906,550**	**45,371,753**	**36,906,550**	**45,371,753**
Movements in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		**178,652,313**	**133,280,560**	**178,652,313**	**133,280,560**
Cash and cash equivalents at the end of the year	9	**215,558,863**	**178,652,313**	**215,558,863**	**178,652,313**
Net movement in cash and cash equivalents		**36,906,550**	**45,371,753**	**36,906,550**	**45,371,753**

The notes on pages 19 to 42 form an integral part of these financial statements.

MAHANAGAR TELEPHONE (MAURITIUS) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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 and its subsidiaries 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 2016. 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:

Description	*Effective for annual periods beginning on or after*
IFRS 9, Financial Instruments	*01-Jan-18*
IFRS 15, Revenue from Contracts with Customers	*01-Jan-18*
IFRS 16, Leases	*01-Jan-19*
Amendments to IAS 7, Statement of Cash Flows	*01-Jan-17*
Amendments to IAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	*01-Jan-17*
Improvements to IFRSs (2016)	
- IFRS 12, Disclosure of Interests in Other Entities	*01-Jan-17*
- IAS 28, Investments in Associates and Joint Ventures	*01-Jan-18*

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.

IFRS 15, Revenue from Contracts with Customers

IFRS 15 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). IFRS 15 replaces the previous revenue standards, IAS 8, Revenue and the relevant interpretations on revenue recognition, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

IFRS 15 establishes a five-step model that will apply to revenue arising from contracts with customers.

Under IFRS 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer, i.e. when performance obligations are satisfied. Key issues include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress towards satisfaction of a performance obligation, recognising contract cost assets and addressing disclosures requirements.

The Group and the Company are currently assessing the impact of IFRS 15 and plan to adopt the new standards on the required effective date.

IFRS 9, Financial Instruments

IFRS 9 was introduced to replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. IFRS 9 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies.

The Group and the Company are currently assessing the impact of IFRS 9 and plan to adopt the new standards on the required effective date.

IFRS 16, Leases

IFRS 16 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group and the Company are currently assessing the impact of IFRS 16 and plan to adopt the new standards on the required effective date.

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the following:

1. Decreases below cost in the carrying amount of a fixed-rate debt instrument measured at fair value for which the tax base remains at cost give rise to a deductible temporary difference, irrespective of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use, or whether it is probable that the issuer will pay all the contractual cash flows;

2. When an entity assesses whether taxable profits will be available against which it can utilise a deductible temporary difference, and the tax law restricts the utilisation of losses to deduction against income of a specific type (e.g. capital losses can only be set off against capital gains), an entity assesses a deductible temporary difference in combination with other deductible temporary differences of that type, but separately from other types of deductible temporary differences;
3. The estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
4. In evaluating whether sufficient future taxable profits are available, an entity should compare the deductible temporary differences with future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences.

   The amendments apply retrospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) <u>Statement of compliance</u>

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) <u>Basis of preparation</u>

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) <u>Basis of consolidation</u>

(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 recognised immediately in profit or loss and other comprehensive income.The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss and other comprehensive income.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 recognised in the statement of profit or loss and other comprehensive Income. 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 the statement of profit or loss and other comprehensive income.

(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 derecognises 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 recognised in the statement of profit or loss and other comprehensive income. 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 unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised 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 Group's and the Company's functional and presentation currency. This represents the currency of the primary economic environment in which the Group and the Company 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 or 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 Group's and 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 the statement of profit or loss and other comprehensive income 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 the statement of profit or loss and other comprehensive income.

(l) <u>Provisions</u>

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) <u>Property, plant and equipment</u>

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 profit or loss and other 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. As per the company policy,only 95% of total cost is depreciated over the useful life of the assets.

The annual effective depreciation rates used are as follows:

Building	- 4.75 %
Computer equipment	- 31.67 %
Furniture, fixtures and fittings	- 11.87 %
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) Investment property

Property held to earn rental and/or for capital appreciation, is stated at cost less accumulated depreciation and any accumulated impairment losses. Investment properties are measured initially at cost, including transaction costs.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal.

The annual depreciation rates used are as follows:

Building	- 4.75 %

(o) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the First in First out basis (FIFO).

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(a). 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 2017	91,340,573	994,858	11,426,246	1,299,253	4,938,611	1,384,724,032	1,494,723,573
Additions	-	345,557	31,794	67,400	740,000	53,040,985	54,225,736
Transfer to investment property	(15,223,429)	-	-	-	-	-	(15,223,429)
At 31 March 2018	**76,117,144**	**1,340,415**	**11,458,040**	**1,366,653**	**5,678,611**	**1,437,765,017**	**1,533,725,880**
DEPRECIATION							
At 01 April 2017	12,013,090	918,506	6,194,880	1,049,079	2,181,490	808,702,622	831,059,668
Charge for the year	3,434,790	64,117	1,243,103	79,881	574,507	123,931,336	129,327,734
Transfer to investment property	(2,002,182)	-	-	-	-	-	(2,002,182)
At 31 March 2017	**13,445,698**	**982,623**	**7,437,983**	**1,128,960**	**2,755,997**	**932,633,958**	**958,385,220**
NET BOOK VALUE							
At 31 March 2018	**62,671,446**	**357,792**	**4,020,057**	**237,693**	**2,922,614**	**505,131,059**	**575,340,660**
At 31 March 2017	**79,327,483**	**76,352**	**5,231,366**	**250,174**	**2,757,121**	**576,021,410**	**663,663,905**

Note: The amount transferred to investment property represents the portion of the building that is being rented out to third parties

5(b). Investment Property

The group and the company

	Building Rs	Total Rs
COST/VALUATION		
At 01 April 2017	45,670,286	45,670,286
Transfer from property, plant and equipment	15,223,429	15,223,429
At 31 March 2018	**60,893,715**	**60,893,715**
DEPRECIATION		
At 01 April 2017	6,006,545	6,006,545
Transfer from property, plant and equipment	2,002,182	2,002,182
Charge for the year	2,747,832	2,747,832
At 31 March 2018	**10,756,559**	**10,756,559**
NET BOOK VALUE		
At 31 March 2018	**50,137,156**	**50,137,156**
At 31 March 2017	39,663,741	39,663,741

Note: The amount transferred from property, plant and equipment represents the portion of the building that is being rented out to third parties. The company has adopted the cost model in accordance with requirements set out for that model in IAS 16. There were no direct operating expenses related to Investment property during the year under review.

6. Investment in subsidiaries

	THE COMPANY	
	2018 Rs.	2017 Rs.
Unquoted investment at cost		
At 01 April 2017	**12,000,000**	12,000,000
Additions	**-**	-
As 31 March 2018	**12,000,000**	**12,000,000**

Details of Company's investment in subsidiaries:-

Name of Company	Country of Incorporation	Class of Shares	Principal Activity	2018 and 2017 Nominal Value of Investment Rs.	Holding %
MTML Data Ltd	Mauritius	Ordinary	Telecommunica-tions	2,000,000	100
MTML International Ltd	Mauritius	Ordinary	Telecommunica-tions	10,000,000	100

7. Inventories

	The Group and the Company	
	2018 Rs.	2017 Rs.
Stock of Subscribers Equipment	**4,084,847**	3,489,189

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	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade receivables	**41,187,860**	39,379,731	**41,187,860**	39,379,731
Other receivables and prepayments	**62,992,968**	12,797,902	**63,041,368**	12,845,302
	104,180,828	**52,177,633**	**104,229,228**	**52,225,033**

9. Cash and cash equivalents

	The Group		The Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Interest bearing deposits	**136,735,000**	117,500,000	**136,735,000**	117,500,000
Cash at bank	**70,314,912**	61,010,906	**70,314,912**	61,010,906
Cash in hand	**8,508,951**	141,407	**8,508,951**	141,407
	215,558,863	**178,652,313**	**215,558,863**	**178,652,313**

10. Stated Capital

	The Group		The Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Ordinary shares of no par value	673,717,949	67,37,17,949	67,37,17,949	67,37,17,949

11. Revenue reserves

	The Group		The Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
At 01 April 2017	**11,859,296**	3,825,289	**11,906,696**	3,871,689
Total comprehensive income for the year	**19,859,712**	21,534,007	**19,860,562**	21,535,007
Dividend proposed	**(6,000,000)**	(13,500,000)	**(6,000,000)**	(13,500,000)
At 31 March 2018	**25,719,008**	**11,859,296**	**25,767,258**	**11,906,696**

Note: Dividend proposed of 13,500,000 MUR Was paid in year 2017-18.

12. Trade and other payables

	The Group		The Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Trade payables	**145,267,117**	130,730,179	**145,267,117**	130,730,179
Other payables	**69,343,896**	82,379,094	**69,343,896**	82,379,094
	214,611,013	**213,109,273**	**214,611,013**	**213,109,273**

13. Other Income

	The Group		The Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Rental income	**4,205,044**	**3,274,275**	**4,205,044**	**3,274,275**

14. Net Finance Income

	The Group		The Company	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Interest income	**3,038,101**	**2,724,622**	**3,038,101**	2,724,622
Foreign exchange gain	**10,373,816**	**6,321,468**	**10,373,816**	6,321,468
	13,411,917	**9,046,090**	**13,411,917**	**9,046,090**

15. Taxation

The Company is liable to income tax at the rate of 15% (2017: 15%) on its profit as adjusted for tax purposes. No provision for corporate tax was made in the accounts as the company has accumulated tax losses brought forward.

	The Group		The Company	
	2018 Rs.	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Current tax charge	-	-	-	-
Corporate Social Responsibilty (CSR) provision	-	-	-	-
Deferred tax charge	**3,794,121**	4,349,482	**3,794,271**	4,349,482
Total tax expense for the year	**3,794,121**	**4,349,482**	**3,794,271**	**4,349,482**
Reconciliation of effective taxation				
Profit before taxation	**23,653,833**	**25,883,489**	**23,654,833**	**25,884,489**
Income tax at 15%	**3,548,075**	3,882,523	**3,548,225**	3,882,673
Non-allowable expenses	**33,046**	16,809	**33,046**	16,809
Tax rate differential	**213,000**	450,000	**213,000**	450,000
	3,794,121	**4,349,332**	**3,794,271**	**4,349,482**
Deferred tax Liabilities				
At 01 April 2017	**(25,460,263)**	(21,110,781)	**(25,460,263)**	(21,110,781)
Charge for the year	**(3,794,121)**	(4,349,332)	**(3,794,271)**	(4,349,482)
At 31 March 2018	**(29,254,384)**	**(25,460,113)**	**(29,254,534)**	**(25,460,263)**
Deferred tax liabilities are analysed as follows:				
Accelerated capital allowances	**(47,540,804)**	(51,641,787)	**(47,540,804)**	(50,766,602)
Tax losses	**18,073,420**	25,731,524	**18,073,270**	24,856,339
Provision for bad debts	**213,000**	450,000	**213,000**	450,000
	(29,254,384)	**(25,460,263)**	**(29,254,534)**	**(25,460,263)**

16. Earnings per share

The calculation of earnings per share is based on total comprehensive income for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 March 2018.

17. Profit from operations

	The Group	The Company
	2018 Rs.	**2017 Rs.**
Profit from operations is arrived at after charging the following items:-		
Staff costs	**15,936,673**	16,376,453
Director's fees	**15,000**	15,000
Depreciation on property, plant and equipment	**132,075,566**	140,295,312
Auditors' remuneration	120,000	120,000
Number of employees at end of the year	**17**	12

18. Related party transactions

The Company had the following transactions and balances with related parties.

	The Group	The Company
Remuneration and other short term benefits to key management personnel	5,014,149	4,700,368
Amount due to holding company	-	-
Amount due to related companies	12,000,000	12,000,000

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

The amount due to related companies represents the unpaid share capital of the two subsidiaries. This was included under other payables during the year ended 31 March 2018.

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 amount to Rs. 16,079,605.

(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 18,650,886/-. 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 2018, 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	**2018**		**2017**	
	Carrying amount Rs.	**Fair value Rs.**	**Carrying amount Rs.**	**Fair value Rs.**
Financial assets				
Trade and other receivables	**104,180,828**	**104,180,828**	52,177,633	52,177,633
Cash and cash equivalents	**215,558,863**	**215,558,863**	178,652,313	178,652,313
	319,739,691	**319,739,691**	230,829,946	230,829,946
Financial liabilities				
Trade and other payables	**214,611,013**	**214,611,013**	213,109,273	**213,109,273**

The COMPANY	**2018**		**2017**	
	Carrying amount Rs.	**Fair value Rs.**	**Carrying amount Rs.**	**Fair value Rs.**
Financial assets				
Trade and other receivables	**104,229,228**	**104,229,228**	52,225,033	52,225,033
Cash and cash equivalents	**215,558,863**	**215,558,863**	178,652,313	178,652,313
	319,788,091	**319,788,091**	230,877,346	230,877,346
Financial liabilities				
Trade and other payables	**214,611,013**	**214,611,013**	213,109,273	213,109,273

(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	2018		2017	
	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs
Mauritian Rupee (MUR)	**275,915,308**	**169,953,044**	188,922,164	138,165,120
United States Dollar (USD)	**29,305,175**	**44,657,969**	29,402,059	74,944,153
Euro (EUR)	**14,519,208**	**-**	12,505,723	-
	319,739,691	**214,611,013**	230,829,946	213,109,273

Sensitivity analysis

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against USD at 31 March would have increased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Group	Rate – MUR/USD		2018	2017
	2018	2017	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	**34.15**	36.50	**(15,352,794)**	(45,542,094)
Increase of 1%	**34.49**	36.87	**(15,506,322)**	(45,997,515)
Difference			**153,528**	455,421

A 1 percent weakening of MUR against USD at 31 March would have decreased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Group	Rate – MUR/USD		2018	2017
	2018	2017	Rs	Rs
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	**34.15**	36.50	**(15,352,794)**	(45,542,094)
Decrease of 1%	**33.81**	36.14	**(15,199,266)**	(45,086,673)
Difference			**(153,528)**	(455,421)

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against EUR at 31 March would have decreased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Group	Rate – MUR/EUR		2018	2017
	2017	2016	Rs	Rs
Assume increase of 1% in exchange rate				

Before sensitivity analysis	**42.06**	**39.00**	**14,519,208**	12,505,723
Increase of 1%	**42.48**	**39.39**	**14,664,400**	12,630,780
Difference			**(145,192)**	(125,057)

A 1 percent weakening of MUR against EUR at 31 March would have increased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Group	**Rate – MUR/EUR**		**2018**	**2017**
	2018	**2017**	**Rs**	**Rs**
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	**42.06**	**39.00**	**14,519,208**	12,505,723
Decrease of 1%	**41.64**	**38.61**	**14,374,016**	12,380,666
Difference			**145,192**	125,057

The Company	**2018**		**2017**	
	Financial assets Rs	**Financial liabilities Rs**	**Financial assets Rs**	**Financial liabilities Rs**
Mauritian Rupee (MUR)	**275,963,708**	**169,953,044**	188,969,564	138,165,120
United States Dollar (USD)	**29,305,175**	**44,657,969**	29,402,059	74,944,153
Euro (EUR)	**14,519,208**	**-**	12,505,723	-
	319,788,091	**214,611,013**	230,877,346	213,109,273

Sensitivity analysis

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against USD at 31 March would have increased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Company	**Rate – MUR/USD**		**2018**	**2017**
	2018	**2017**	**Rs**	**Rs**
Assume increase of 1% in exchange rate				
Before sensitivity analysis	**34.15**	36.50	**(15,352,794)**	(45,542,094)
Increase of 1%	**34.49**	36.87	**(15,506,322)**	(45,997,515)
Difference			**153,528**	455,421

A 1 percent weakening of MUR against USD at 31 March would have decreased profit or loss and other comprehensive inncome by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Company	Rate – MUR/USD		2018	2017
	2018	2017	Rs	Rs
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	**34.15**	36.50	**(15,352,794)**	(45,542,094)
Decrease of 1%	**33.81**	36.14	**(15,199,266)**	(45,086,673)
Difference			**(153,528)**	**(455,421)**

A 1 percent strengthening of MUR against EUR at 31 March would have decreased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Company	Rate – MUR/EUR		2018	2017
	2018	2017	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	**42.06**	**39.00**	**14,519,208**	12,505,723
Increase of 1%	**42.48**	**39.39**	**14,664,400**	12,630,780
Difference			**(145,192)**	**(125,057)**

A 1 percent weakening of MUR against EUR at 31 March would have increased profit or loss and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2017.

The Company	Rate – MUR/EUR		2018	2017
	2018	2017	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	**42.06**	**39.00**	**14,519,208**	12,505,723
Increase of 1%	**41.64**	**38.61**	**14,374,016**	12,380,666
Difference			**145,192**	**125,057**

(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	The Company
	2018	2017
	Rs.	Rs.
Bank balances	**207,049,912**	178,510,906

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 2018 would have increased by Rs. 1,035,250 (2017: Rs. 892,555).

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 Company is not faced with any price risk.

(b) Credit risk

The Company has no significant concentration of credit risk.

(c) Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash. In addition, the Company has access to its 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

	2018 Rs.	**2017 Rs.**	**2016 Rs.**	**2015 Rs.**	**2014 Rs.**
Issued and fully paid up share capital	**673,717,949**	**673,717,949**	**673,717,949**	**673,717,949**	**673,717,949**
Revenue reserves / (accumulated losses)	**25,767,258**	11,906,696	3,871,689	(17,406,555)	(35,161,078)
Profit before taxation	**23,654,833**	25,884,489	26,642,541	24,097,661	19,460,942
Profit after taxation	**19,860,562**	21,535,007	21,278,244	17,754,523	13,800,972

23. 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 2018.

24. Cost of sales

	The Group		The Company	
	2018 Rs.	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Roaming Charges	**8,059,086**	9,061,500	**8,059,086**	9,061,500
ICTA Special account fee/USF Charges	**19,098,034**	20,339,063	**19,098,034**	20,339,063
Carrier charges	**49,341,563**	62,363,207	**49,341,563**	62,363,207
IPLC charges	**15,853,356**	11,963,608	**15,853,356**	11,963,608
Cost of GSM Mobile	**4,356,401**	-	**4,356,401**	-
IUC charges	**44,265,732**	44,655,165	**44,265,732**	44,655,165
	140,974,172	**148,382,543**	**140,974,172**	**148,382,543**

25. Personnel expenses

Salaries and allowances	**15,502,268**	15,705,813	**15,502,268**	15,705,813
Other benefits	**434,405**	670,640	**434,405**	670,640
	15,936,673	**16,376,453**	**15,936,673**	**16,376,453**

26. Licence fees

PLMN	**8,000,004**	8,200,005	**8,000,004**	8,200,005
ILD	**1,999,992**	2,049,981	**1,999,992**	2,049,981
Microware	**7,337,758**	7,240,580	**7,337,758**	7,240,580
Spectrum	**4,383,239**	4,503,000	**4,383,239**	4,503,000
ISP	**50,000**	50,000	**50,000**	50,000
Dealership	**7,000**	5,000	**7,000**	5,000
GSM Spectrum	**1,666,660**	1,199,989	**1,666,660**	1,199,989
GSM 3G	**3,840,000**	3,840,000	**3,840,000**	3,840,000
GSM 4 G	**540,000**	-	**540,000**	-
	2,78,24,653	**2,70,88,555**	**2,78,24,653**	**2,70,88,555**

27. Administrative expenses

	The Group		The Company	
	2018 Rs.	**2017 Rs.**	**2018 Rs.**	**2017 Rs.**
Meeting expenses	**220,305**	112,057	**220,305**	112,057
Rental for ebene	**356,430**	356,430	**356,430**	356,430
Rental accomodation	**824,152**	847,299	**824,152**	847,299

Rental BTS sites	**28,704,781**	26,923,902	**28,704,781**	26,923,902
Electricity	**45,164,438**	42,780,371	**45,164,438**	42,780,371
Water charges	**265,911**	302,746	**265,911**	302,746
Motor vehicle running expenses	**523,294**	569,753	**523,294**	569,753
Repairs and maintenance - office	**1,655,443**	1,571,562	**1,655,443**	1,571,562
Repairs and maintenance - shop	**518,600**	330,804	**518,600**	330,804
Repairs and maintenance - Equipment	**27,713,121**	26,401,655	**27,713,121**	26,401,655
Repairs and maintenance	**579,294**	645,537	**579,294**	645,537
Maintenance sites	**1,986,062**	4,041,201	**1,986,062**	4,041,201
Printing	**591,260**	926,993	**591,260**	926,993
Stationery	**305,367**	291,711	**305,367**	291,711
Communication expenses	**1,352,123**	1,463,732	**1,352,123**	1,463,732
Bank charges	**1,095,262**	1,064,724	**1,095,262**	1,064,724
Library books	**20,860**	18,190	**20,860**	18,190
Horticulture expenses	**137,200**	168,000	**137,200**	168,000
Professional charges	**318,868**	327,599	**318,868**	327,599
General expenses	**253,602**	248,903	**253,602**	248,903
Value Added Service- Revenue share	**2,782,387**	2,427,959	**2,782,387**	2,427,959
Commission and brokerage fees	**28,364,761**	28,928,455	**28,364,761**	28,928,455
Office insurance	**749,261**	838,784	**749,261**	838,784
Security charges	**631,707**	627,392	**631,707**	627,392
Licences, rates and taxes	**2,629,401**	3,466,334	**2,628,401**	3,465,334
Provision for bad debts	**1,420,000**	3,000,000	**1,420,000**	3,000,000
Lease rental	**168,000**	168,000	**168,000**	168,000
Freight charges	**181,234**	64,038	**181,234**	64,038
Directors fee	**15,000**	15,000	**15,000**	15,000
Travelling Expenses	**1,750,304**	1,300,196	**1,750,304**	1,300,196
Custom duty and clearance	**3,29,703**	2,21,087	**3,29,703**	2,21,087
	151,608,131	**150,450,414**	**151,607,131**	**150,449,414**

28. Marketing expenses

Electricity for shops	**609,886**	515,488	**609,886**	515,488
Club membership	**20,000**	15,500	**20,000**	15,500
Rent of shops	**2,650,423**	2,789,610	**2,650,423**	2,789,610
Call centre charges	**5,145,345**	5,480,555	**5,145,345**	5,480,555
Publicity and advertisement	**13,057,874**	16,028,059	**13,057,874**	16,028,059
Website development and maintenance	**11,633**	68,875	**11,633**	68,875
	21,495,161	**24,898,087**	**21,495,161**	**24,898,087**