



Thirty First Annual Report 2016-17

MAHANAGAR TELEPHONE NIGAM LIMITED
(A Nav Ratna Company)



VISION OF MAHANAGAR TELEPHONE NIGAM LIMITED

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

MISSION OF MAHANAGAR TELEPHONE NIGAM LIMITED

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



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**BOARD OF DIRECTORS
(AS ON 10.08.2017)**

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

COMPANY SECRETARY

S.R. SAYAL

REGISTERED AND CORPORATE OFFICE

Mahanagar Doorsanchar Sadan

5th Floor, 9, CGO Complex,

Lodhi Road,

New Delhi - 110 003

Tel : 011-24319020, Fax : 011-24324243

CIN L32101DL1986GOI023501.

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



STATUTORY AUDITORS

KUMAR VIJAY GUPTA & CO.

Chartered Accountants

408, New Delhi House, Barakhamba Road, Connaught Place, New Delhi- 110001

Phone: 011-23314525, 41571108

MEHRA GOEL & CO.

Chartered Accountants

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

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

COST AUDITOR

R. M. Bansal & Co.

Cost Accountants

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

Phone: 09415134328

BANKERS

State Bank of India, New Delhi/Mumbai

Indian Overseas Bank, New Delhi/Mumbai

Punjab National Bank, Delhi/Mumbai

ICICI Bank, New Delhi/Mumbai

Oriental Bank of Commerce, New Delhi

Central Bank of India, Mumbai/Delhi

Dena Bank, New Delhi/Mumbai

Bank of Baroda, New Delhi

Union Bank of India, New Delhi/Mumbai

United Bank of India, New Delhi

Indian Bank, New Delhi,

Axis Bank, New Delhi/Mumbai

Syndicate Bank, New Delhi

Corporation Bank, New Delhi

IDBI Bank, New Delhi

State Bank of Hyderabad, New Delhi

Punjab & Sindh Bank, New Delhi

Yes Bank Limited, New Delhi

IndusInd Bank, Mumbai

Andhra Bank

Jammu & Kashmir Bank Ltd.

Bank of India, New Delhi

HDFC Bank, New Delhi



REGISTRARS AND TRANSFER AGENTS

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

3rd Floor, Beetal House, 99, Madangir, Behind Local Shopping Centre

Near Dada Harsukhdas Mandir, New Delhi - 110 062.

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

E-mail : beetal@beetalfinancial.com, beetalrta@gmail.com

Website: www.beetalfinancial.com

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

Investor Helpdesk

Ph: 011-24317225, Fax: 011-24316655

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

31st Annual General Meeting on Wednesday 27th September, 2017 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 31st Annual Report of your Company together with the Financial Statements and the Report of the Auditors as well as comments of Comptroller & Auditor General of India on the Financial Statements for the financial year ended on March 31, 2017.

PERFORMANCE REVIEW OF MTNL FOR THE FY 2016-17

1. The achievements of MTNL during the year 2016-17 are as follows:

- **Expansion of 3G RF network in Delhi:** MTNL is in the process of expansion of mobile network by adding 1080 nos. of 3G sites for upgrading Data handling capacity to 10 Gbps. MTNL placed Purchase Order worth ₹ 319 Cr. for expansion of 3G Network by adding 1080 Node-Bs and replacement of core network. Installation of core network has been completed and testing is in progress. Cold installation of 400 Node-Bs has been done.
- **Upgradation/replacement of 3G RF network in Delhi:** Purchase Order for ₹ 42 Cr has been placed for up gradation of existing 720 nos. of 3G Node-B for 'HSPA+' capability along with upgradation of Backhaul. (24 Cr for RF Upgradation and 17.7 Cr for Backhaul).
- **3G Network Up-gradation in Mumbai:** To improve network capabilities and provide better speed, MTNL is in process of upgrading existing 3G network (720 Node-Bs). S/W Up-gradation for the existing Node-Bs has been implemented. 161 Node B's have been integrated with OFC Media for 21 Mbps speed.

With the ongoing expansion and up gradation, enhance Downlink speed will be 21.1 Mbps & Uplink speed of 5.76 Mbps against present 3.6 Mbps downlink & 384 Kbps uplink per sector speeds.

2. The initiatives taken by MTNL during the year 2016-17 are as follows:

- **Broadband Network:**
 - To provide higher data speeds and better quality of services for broadband services, MTNL has launched a special program to progressively increase the fibre length by redeploying the broadband nodes (DSLAMs) near to the customer.
 - 173 nos. of Digital Subscriber Line Access Multiplexer (DSLAMs) have been redeployed in Delhi and 152 nos. in Mumbai thereby reducing copper length and enhancing the quality of broadband service.
- **Fiber To The Home (FTTH):** Policy to Empanel partners for provisions of FTTH/VAS services in Delhi & Mumbai on revenue share basis has been made operational. The new policy has been made more flexible to attract more partners and more customers.
- **High Speed Broadband on FTTH and Wi-Fi services for Hon'ble MPs:** MTNL has provided high speed Broadband on FTTH and Wi-Fi services at the residences of 750 Hon'ble MPs in Delhi in year 2016-17.
- **Mumbai city surveillance project:** Provided connectivity to 4,717 cameras installed at 1,510 locations across the Mumbai city covering almost 80% of the city. Project was dedicated to Nation on 02-Oct 2016 by Chief Minister, Maharashtra.
- **Wi-Fi Hot-spot for Mumbai City:** Provided connectivity to setup 500 Wi-Fi Hot spot by Govt. of Maharashtra. Project commissioned on 9th Jan 2017.

- **ATC Project for Mumbai City:** MTNL provided connectivity at 133 locations for Area Traffic Control Project of Mumbai Traffic Police for Road Traffic Monitoring.
- **Wi-Fi hotspot at tourist places in Delhi and Mumbai:** MTNL is establishing Wi-Fi Hotspots at tourist places and important public areas all over Delhi and Mumbai for digitally connecting the people of Delhi. The Services has been launched at 14 places in Green Park market, Hauz Khas Village, Aurobindo market, National Museum, India Gate, Qutab Minar, Safdarjung Tomb, Humayun's Tomb, Red Fort, Purana Qila, Lodhi Garden, Nehru Place Market and Defence Colony market of Delhi city and Elephanta cave in Mumbai City.

FINANCIAL RESULTS FOR THE F.Y. 2016-17

The Financial Statements of the Company have been prepared in accordance with the Indian Accounting Standards (IND-AS) notified under Section 133 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014. The Financial Statements for the Financial Year ended March 31st, 2017 are the Company's first IND-AS compliant annual financial statements with comparative figures for the year ended March 31st, 2016 also under IND-AS. The date of transition is April 1st, 2015. The disclosure and effect of first time adoption of IND-AS are detailed in Note 55 of the Standalone Financial Statements and Note 59 of the Consolidated Financial Statements for detailed disclosure and effects on the first time adoption of IND-AS. The Standalone and Consolidated Financial highlights of your company for the Financial Year ended March 31st, 2017 are summarized as follows:

Sources and Application of funds for the FY 2016-17 are given below:-

(IN CRORES ₹)

	Standalone		Consolidated	
	2016-17	2015-16	2016-17	2015-16
Income from Operations	2,869.68	3,123.96	2,969.37	3,223.16
Expenditures (Excluding Finance Cost)	5,049.44	5,097.59	5,146.47	5,193.09
Operating Profit/(Loss)	(2,179.76)	(1,973.63)	(2177.10)	(1,969.93)
Other Income	682.78	569.22	685.32	570.73
Finance Cost	1,448.47	1,351.34	1448.47	1,351.34
Profit/(Loss) before Tax	(2,945.45)	(2,755.75)	(2940.25)	(2,750.54)
Exceptional Items	-	-	-	-
Share of profit/(loss)in investments accounted for using equity methods	-	-	0.69	(2.42)
Tax Provision for the Year	(4.38)	(492.26)	(3.51)	(491.15)
Profit/ (Loss) for the Year from Continuing Operations	(2,941.07)	(2,263.49)	(2,936.05)	(2,261.81)
Profit/ (Loss) for the Year from Discontinuing Operations	-	315.95	-	315.95
Profit/ (Loss) for the Year	(2,941.07)	(1,947.54)	(2,936.05)	(1,945.86)
Other Comprehensive Income	(29.49)	(5.82)	(32.83)	1.79
Total Comprehensive Income for the Year	(2,970.56)	(1,953.36)	(2,968.88)	(1,944.07)

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	(3,996.70)	(1,026.13)	(4,003.85)	(1,034.97)
Non-Current and Current Borrowings	15,196.55	13,436.78	15,196.55	13,436.78
Deferred Tax Liability (Net)	-	-	4.60	3.91
REPRESENTED BY				
Property, Plant and Equipment (Net Block)	4,808.32	5,321.00	4,928.12	5,456.90
Capital Work in progress	291.34	136.87	291.34	136.87
Investment Property	46.52	39.59	53.68	39.59
Intangible Asset (Net Block)	3,776.69	4,117.00	3,777.69	4,118.27
Investment	141.98	141.98	3.81	3.12
Other Assets	8,598.11	8,887.63	8,638.63	8,917.58
Other Liabilities	5,833.11	5,603.42	5,865.97	5,636.61

The Company has prepared these consolidated and standalone financial results in accordance with the Companies (Indian Accountant Standards) Rules, 2015 (Ind AS) prescribed under section 133 of the Companies Act, 2013. The Company has adopted the Indian Accounting Standards (Ind AS) from 01.04.2016. The comparative financial information of the Company for the year ended 31.03.2016, which have earlier been prepared as per IGAAP, have also been restated to comply with Ind AS.

INFORMATION REGARDING ISSUE OF BONDS BY MTNL DURING FINANCIAL YEAR 2016-17.

The Company has not issued any debenture/ bonds during Financial Year 2016-17.

DIVIDEND

Since there has been no operating profit during the FY 2016-17, 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, 2017, 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'17 has grown to 289,161 resulting in a market share of around 20%. MTML is offering 2G/3G services in all over the island and 4G services at selected areas. 4G expansion is being done by which 80% of the island will be covered over 4G network and it is expected to be completed soon.

Though there is a slight decrease in revenue of the company mainly due to fierce competition followed by rate reduction, the company could improve its brand image with best quality of service. Despite reduction in gross revenue, the profit after tax of the company has increased from 3.83% to 4.03% of gross revenue. The Company has recommended the payment of dividend ₹ 1.35 Crore for the financial year 2016-17 out of its net profit for the year.

MTML has earned a gross revenue of approx INR 971 million during the financial year as against INR 1,022 Million in the corresponding period of last fiscal year, thereby registering a fall of around 4.99%. The fall in the revenue is attributable 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 increase its net profit with precise management of available resources.

In the year 2015-16, the company had upgraded its entire network for high speed data services (HSPA+) and introduced LTE (4G) in some select areas. In 2016-17, MTML not only maintained its market share but added to customer base by introducing very attractive voice and data plans for existing as well as prospective customers. MTML made inroads in Enterprise Business solutions as well and could get a few dozen Enterprise customers in the year.

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.

All the expenses of the company are paid from its own internal resources. The CAPEX for procurement of equipments is totally met from its own internal resources. MTML is operating from its own building, constructed from internal resources, situated at 63, Cyber City, Ebene, Mauritius which is considered to be heart of IT hub in Mauritius. There is no debt liability on the company.

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

(ii) Millennium Telecom Ltd. (MTL)

Millennium Telecom Ltd (MTL) is a wholly owned subsidiary of MTNL. Services being offered by MTL include Telecom consultancy & engineering, Project Management, Wi-Fi solution, project on e-governance, Managed services, Turnkey ICT solution, 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 by System Integration other ICT related works at Pan India level. 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 showcasing its understanding and capabilities. Customer list include National Highway Authority of India (NHAI), Air India, J & K Government, Central University-(Mahendragarh) Haryana etc. MTL is also expanding its portfolio of service for providing generalized as well customized solutions to suit government and semi government institutions.

MTL had invited EOI from interested parties for empanelment as Business Development Associates to assist MTL for implementation of innovative projects. 15 BDAs' have been empanelled till now.

Recently MTL has been awarded the work for GIS survey of Meerut and Ghaziabad worth ₹ 18.9 crore. MTL is also pursuing various new projects which are at different stages or consideration by Government Agencies.

(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).

In order to implement one of its objectives MSITSL has established the physical infrastructure of Tier III Data Center at Chennai on space taken on lease basis from STPI. The Data Center has server farm area of around 3500 sq. ft. and the total investment made in this regard is of ₹477 lakhs. This Tier III Data Center is maintaining 99.98% uptime on 24X7 basis.

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

MSITSL has earned the revenue for the period of 2009-10: ₹196 lakhs, for the year 2010-11: ₹296 lakhs, for the year 2011-12: ₹303 lakhs, for the year 2012-13: ₹367 lakhs, for the year 2013-14: ₹404 Lakhs and for the year 2014-15: ₹445 Lakhs. For the year 2015-16 : ₹562 Lakhs. For the year **2016-17: 540 Lakhs.**

(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. Company is making losses and has a total customer base of approx. 5,96,008 as on 31st December, 2016.

UTL obtained Unified License from Nepal Telecommunications Authority (NTA), regulatory body of telecommunication market in Nepal, on September 5, 2016. This is a pan-Nepal license to operate any service – GSM, CDMA, ISP, NSP inside the territory of Nepal. Under implementation of the Unified License, UTL is planning to roll-out GSM network all over Nepal in different phases in addition to its existing network of almost 200 BTSs covering 44 out of 75 districts of Nepal. UTL has been negotiating with vendors and shall be finalizing and entering into agreements with respective vendors of supply and service of GSM systems, infrastructures, Billing, IN/VAS systems. UTL will be planning for effective roll-out of services in order to compete in the market at the earliest with an aim to penetrate the market from Day 1.

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2016-17 (AS ON 31st MARCH, 2017)

Your Company has the following equipped and used capacity of Landline, GSM, Broadband etc. as on 31st March, 2017:-

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2016-17

S. No	Parameters	Delhi	Mumbai	Total
1	Number of Switches	342	260	602
2	Details of Capacity	-	-	-
2a	Fixed Phones	2416505	2586392	5002897
2b	GSM	2800000	2800000	5600000
2c	Broadband Capacity (in Ports)	788736	845908	1634644
3	DELS (including Fixed-Line, GSM and Broadband)	4506496	3692690	8199186
3a	Fixed Line	1601487	1860887	3462374
3b	GSM	2327203	1300117	3627320
3c	Broadband Subscribers	577806	531686	1109492
4	FTTH Subscribers	4572	4677	9249
5	ISDN	7870	12675	20545

S. No	Parameters	Delhi	Mumbai	Total
6	DLC (No.)	425	523	948
7	Tax Capacity	150000	115200	265200
8	Tandem Capacity	402500	363240	765740
9	Optical Fibre Cable	-	-	-
9a	OFC in Route Kms	9014.903	8177.62	17192.523
9b	OFC in Fibre Kms	282395.344	261771.550	544166.894
10	Leased Circuits	12598	18574	31172

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

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

The Institute of Telecom, Technology & Management, ITTM Shadipur, New Delhi is a state of the art training centre of MTNL, Delhi engaged in imparting induction training and short duration training to its officers and employees in the field of Telecom, IT, Computer system and Management. With impressive growth of Telecom sector in India, the requirement of telecom trained personnel is growing day by day. Realizing this ever growing demand for telecom personnel, ITTM started training engineering students also as part of their summer training. During the year 2016-17, ITTM has successfully trained 968 Executives with an achievement of 3889 Man days and 667 Non Executives with an achievement of 10774 Man days.

Industrial Training / Industrial visits **for engineering and short term trainings for outside candidates on skill development** were also successfully provided to **772** trainees of various engineering institutions and other students from various Government schools under NSQF (National Skills Qualification Framework) with an achievement of **11795** Man days.

Revenue earned at ITTM for the financial year 2016-17

Industrial Training/ Industrial Visits to Engineering Students = ₹ 43,81,590/-

Corporate Training to TCIL employees/ Short term courses on skill development = ₹ 3,04,953/-

Total Revenue Earned by ITTM by training outsiders = ₹ 46,86,543/-

Special training on "digital mode of payments" to promote the cashless transactions was organised at ITTM on 23/12/2016. It was inaugurated by Hon'ble CMD Delhi and ED(Delhi), GM(Fin), GM(Trg) & other officers of MTNL were also present.

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



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

The Centre for Excellence in Telecom Technology & Management (CETTM) is ISO 9001-2008 certified Institute. Launched in 2004 this institution is imparting training in Telecom Technology and Management Studies to candidates across the globe. It has ERP based fully networked training center & Hostel for environmental friendly paperless working and is strategically located at Hiranandani Gardens, Powai, Mumbai, India.

CETTM has been instrumental in enhancing the skills & knowledge of MTNL employees which has translated into increased productivity and efficiency. During F.Y. 2016-17, 4892 personnel were trained including 1984 in-house personnel and 2908 external personnel and have registered an achievement of 25179 Trainee Days. A total of 274 Programs were conducted which included training programs on Broadband, FTTH, Mobile services, soft-skill development and mandatory courses for Financial up-gradation.

Under ITEC-SCAAP program, sponsored by MEA, Govt. of India, CETTM has successfully completed 09 courses in Telecom, IT & Management streams. A total of 315 foreign delegates from over 60 countries were trained.

As CSR activity 17 vacation courses for engineering college students were conducted during MAY & DEC 2016 in which 234 students were trained during summer and winter vacations.

2053 Engineering Students in F.Y.2016-17 were trained in various courses. 23 Cabinet Secretariat officers trained in various courses. CETTM has done MOU with Syncroute for providing Wireless 4G training and trained 41 students.

(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 3591 trainees in year 2016-17. 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 Relations and like the previous year, Employees Relations remained Cordial throughout the year. The Grievances/Issues raised by the employees/Union/Associations were given due attention and regard. The cases/issues brought up by them were settled through regular meetings and interactions between Management and Unions/Associations and action as mutually agreed was taken to settle them.

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

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 retirees concerned. As on date approximately 2500 retirees in MTNL have benefitted 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 endeavored 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, PROHIBITION & REDRESSAL) ACT, 2013

The Company has constituted an internal Complaint Committee on Prevention, Prohibition & Redressal of Sexual Harassment of Women at workplace and matters connected therewith or incidental thereto covering all aspects as contained in the Sexual Harassment of Women at workplace (Prevention, Prohibition & Redressal) Act, 2013. No complaint has been reported during the year under report.

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, 2017 your company had a working strength of employees as per details given below:-

Group	Total Working	SC	ST
A	899	145	57
B	3026	434	73
C	16366	2636	284
D	7614	1915	552
Total	27905	5130	966
TSM	14	-	-
Grand Total	27919	5130	966

New Recruitment

In order to induct new blood into its working strength, the Board of Directors of your Company has approved to induct 100 officers at E-2 level in the stream of Telecom, Electrical, Civil, Finance, HR , Sales & Marketing.

The candidates for the post of JTO (Telecom/ Electrical & Civil) are selected under GATE-2015 score. '57' candidates were issued offer of appointment out of which '19' candidates including one PwD candidate joined induction training at CETTM, Mumbai. They are further posted in field training as per the MTNL rules.

The recruitment of non-technical posts viz. AM (Finance/ Mktg./ Legal/ HR) is under process.



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 provision of Section 135 of the Companies Act, 2013 are not applicable. However 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 other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of this Report. The Policy is available on the website of the company www.mtnl.net.in.

VIGILANCE

The Vigilance department of MTNL is headed by Chief Vigilance Officer. Presently Shri Deepak Kashyap, CVO, BSNL is looking after the charge of CVO, MTNL. The CVO is responsible for complete vigilance administration in MTNL.

During the year 2016-17, emphasis was laid on preventive vigilance and to enhance the awareness of transparency and accountability in working by carrying out various field inspections. System improvement advice were issued by Vigilance Unit for reconciliation of Sanchaar Haats products, store verification, optimum electrical load in various buildings, proper maintenance of broadband faults, BTS sites etc. CTE type inspections were also carried out as per CVC guidelines.

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

As per CVC instructions, the Vigilance Awareness Week was observed from 31.10.2016 to 05.11.2016. During this week, various activities like integrity pledge taking, release of two booklets on (i) Public participation in promoting integrity and eradicating corruption” and (ii) book on vigilance and discipline with a focus on the subject Public participation in promoting integrity & eradicating corruption and containing the chapters on main function of vigilance, MTNL Conduct Disciplinary and Appeal Rules-1998 (Executive), Certified Standing orders for MTNL C & D Employees (Non Executives), Do's and Don'ts were distributed. Also quotations were displayed and lectures, seminar and workshop organized. Further, MTNL has started a newsletter titled 'CHETAN' which was released by CMD, MTNL during vigilance awareness week. This newsletter has detailed information regarding departmental inquiries and various vigilance activities carried by vigilance unit during year 2015-16.

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

INTEGRITY PACT PROGRAMME WITH TRANSPARENCY INTERNATIONAL INDIA

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

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

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



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

The 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 ₹3.83 Crore and outflow was ₹ 3.10 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 Ten times i.e. during the Financial Year 2016-17, 10 (Ten) Board Meetings were held. The intervening gap between any two meetings was within the period prescribed by the Companies Act, 2013. Details of Board Meetings are given in Corporate Governance Report which forms part of this Report. At these meetings, the Board held intensive discussions on the budget, important financial transactions and various steps to face the impending competition from private operators both in Basic Telephone Service, Cellular Mobile Telephony and other value added services.

DECLARATION BY INDEPENDENT DIRECTOR

The Company has received necessary declaration from the Independent Directors i.e. from Shri Rakesh Nangia and Shri Ashok Mittal under Section 149(7) of the Companies Act, 2013 that they meets 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 Parties 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. 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, your Company has given a Corporate guarantee for ₹31,60,000 valid till 30th May, 2020 in favour of Central University Haryana, Mahendragarh on behalf of Millennium Telecom Ltd (MTL), a wholly owned subsidiary of MTNL for execution of a project by MTL.

During the Year there was no loan given 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 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 31st AGM, Audited Financial Statements, Directors’ Report, Auditors’ Report for the F.Y. 2016-17 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 31st AGM & Annual Report 2016-17 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”.

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 2016-17, 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. The Company has appointed M/s HDSG & Associates Internal Financial Control Consultants for reviewing, evaluating and identifying the existing MRCM and suggest establishment of effective Control System in MTNL for the FY 2016-17.

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 2016-17

M/s Hemant Singh & Associates, Company Secretaries, have conducted the Secretarial Audit of your company for the Financial Year 2016-17 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.

EXTRACT OF ANNUAL RETURN FOR THE YEAR 2016-17 PURSUANT TO SECTION 92(3) OF COMPANIES ACT, 2013 (MGT-9)

Extract of Annual Return (in Form-MGT-9) of the Company is annexed.

AUDITORS QUALIFICATIONS AND MANAGEMENT REPLY THERETO

The replies to the observation of the Statutory Auditors for the Financial Year 2016-17 are given as annexure. The Comments of the Comptroller and Auditor General of India 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 seven (7) members, three Functional Directors (including CMD), two Government Nominee Directors and two independent directors. List of present Directors of MTNL as on 10.08.2017 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 N. K. Yadav ceased to be CMD w.e.f. 08.06.2016.
2. Shri P. K. Purwar was given additional charge of CMD w.e.f. 08.06.2016. Appointed as Regular CMD on 03.03.2017 and entrusted with additional charge of Director (Fin) on 03.03.2017.
3. Shri Sanjeev Kumar has been appointed as Director (Tech) w.e.f. 02.07.2016.
4. Smt. Simmi R. Nakra ceased to be Director w.e.f. 12.04.2016.
5. Ms. Tiakala Lynda Yaden has been appointed as Government Nominee Director in place of Smt. Simmi R. Nakra w.e.f 19.05.2016.

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

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



AUDIT COMMITTEE

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

AUDITORS

- (1) M/s. 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 2016-17 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 2015-16 have been submitted to the Central Government in the Form I-XBRL format on MCA portal on 28/09/2016.
- (3) M/s Hemant 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 2016-17.

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 (FIN)

PLACE: NEW DELHI

DATE: 03/08/2017



ANNEXURE I TO DIRECTORS' REPORT

Secretarial Audit Report For The Financial Year Ended 31st March, 2017 [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 2017** complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by **MAHANAGAR TELEPHONE NIGAM LIMITED** ("the Company") for the financial year ended on 31st March, 2017 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) 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)**; and
 - h. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998-**(Not applicable to the Company during the Audit Period)**;
- (v) 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, Madras Stock Exchange Limited and Delhi Stock Exchange Limited. The Company is also registered at 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.
- (b) The Company did not have the required percentage of Independent Directors on its Board level Nomination and Remuneration Committee during the Audit Period and part of the year on its Board level Audit Committee.
- (c) The Chairman of the Audit Committee and Nomination & Remuneration Committee was not present at The Annual General Meeting of the Company held on 30.09.2016.
- (d) The Company has not appointed Internal Auditor as per the provisions of Section 138 of The Companies Act, 2013 during the Audit Period.
- (e) The Contents of the Website need to be correct and update as per SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 which is not updated.
- (f) **The National Stock Exchange Limited and BSE Limited** have issued Notices under Regulation 27(2) of The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 in respect of Composition of Board and Board level Committees for which 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 not duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. 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 Seven Days in advance. Agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation at the Meeting.

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

Date: 09th August, 2017
Place: New Delhi

Signature
(Hemant Kumar Singh)
(Partner)
Membership No. FCS 6033
C.P. No. 6370



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, 2017, 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 the entire year.
 - (ii) The composition of Audit Committee and Nomination and Remuneration Committee lacked majority of independent directors during part of the year
 - (iii) The Chairman of the Audit Committee was not present at the Annual General Meeting held on 30.09.2016.
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

Date: 26.07.2017
Place: NOIDA

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

REPLY OF MTNL TO QUALIFICATIONS IN SECRETARIAL AUDIT REPORT AND COMPLIANCE CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE (F.Y 2016-17).

- a) The composition of the Board of Directors suffered from the inadequacy of Independent Directors during the entire year.
- Management's Reply:** All appointments including Independent Directors on the Board are done by the Administrative Ministry, Government of India. At present we have two Independent Directors. The matter for appointment of more Independent Directors is pending with the Government of India.
- b) The composition of Audit Committee and Nomination and Remuneration Committee lacked majority of Independent Directors during part of the year.
- Management's Reply:** After the appointment of two Independent Directors by the Govt. of India, we have reconstituted these committees as per the requirement of the Listing Regulations.
- c) The Chairman of the Audit Committee was not present at the Annual General Meeting held on 30.09.2016.
- Management's Reply:** The Chairman of Audit Committee Shri Rakesh Nangia was not able to attend the AGM because of some unavoidable circumstances.
- d) The Company has not appointed Internal Auditor as per the provisions of Section 138 of The Companies Act, 2013 during the Audit Period.
- Management's Reply:** No appointment of Internal Auditor was made during the year 2016-17 as the Internal Auditors appointed for FY 2015-16 continued as internal Auditors for FY 2016-17.
- e) The Contents of the Website need to be correct and update as per SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 which is not updated.
- Management's Reply:** The Information required to be uploaded on the website as per the Listing Regulations were uploaded but due to recasting of website by the concerned section in MTNL Delhi unit, some information got deleted and was not available on website at the time of Secretarial Audit. However, the same has been now got uploaded again.



ANNEXURE IV TO DIRECTORS' REPORT

**FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN**

As on the financial year ended on 31st March, 2017

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

1. REGISTRATION AND OTHER DETAILS :

- I) **CIN:-** L32101DL1986GOI023501
- II) **REGISTRATION DATE:-** 28th FEBRUARY, 1986
- III) **NAME OF THE COMPANY:-** MAHANAGAR TELEPHONE NIGAM LIMITED
- IV) **CATEGORY/ SUB-CATEGORY OF THE COMPANY:-** GOVERNMENT OF INDIA ENTERPRISES
- V) **ADDRESS OF THE REGISTERED OFFICE AND CONTACTS DETAILS:-**
- MAHANAGAR DOORSANCHAR SADAN,
5TH FLOOR, 9, CGO COMPLEX,
LODHI ROAD, NEW DELHI-110003,
Tel:- 011-24319020, Fax 011- 24324243

WHETHER LISTED COMPANY YES / NO:- YES

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

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

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

3. PARTICULARS OF HOLDING , SUBSIDIARY AND ASSOCIATE COMPANIES –

S. NO	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING / SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Mahanagar Telephone Mauritius Limited (MTML) MTML Square, 63, Cyber City, Ebene City, Mauritius	N.A.	Wholly Owned Overseas Subsidiary	100%	2 (87)
2	Millennium Telecom Ltd. (MTL) 15TH Floor Telephone house V S Marg Dadar(W), Mumbai , Maharashtra, 400028	U64200MH2000GOI124302	Wholly Owned Indian Subsidiary	100%	2 (87)
3	MTNL STPI IT Services Ltd. (MSITS), Mahanagar Doorsanchar Sadan, 5 th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003	U72901DL2006PLC148310	Associate (Joint Venture)	50%	2(6)
4	United Telecommunications Ltd. (UTL) Triveni Complex, Putali Sadak, Kathmandu.	N.A.	Associate	22.68%	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. 01/04/2016				No. of Shares held at the end of the year i.e. 31/03/2017				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A) Promoters									
(1) Indian									
a) Individual/HUF	0	0	0	0.00	0	0	0	0	
b) Central Govt/ State Govt (s)	354378740	0	354378740	56.25	354378740	0	354378740	56.25	0
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0

d) Banks/FI	0	0	0	0.00	0	0	0	0	0
e) Any Other.....	0	0	0	0.00	0	0	0	0	0
Sub- total (A) (1):-	354378740	0	354378740	56.25	354378740	0	354378740	56.25	0
(2) Foreign									
a) NRIs- Individuals	0	0	0	0.00	0	0	0	0.00	0.00
b) Bodies Corp.	0	0	0	0.00	0	0	0	0.00	0.00
c) Bank/FI	0	0	0	0.00	0	0	0	0.00	0.00
d) Any other....	0	0	0	0.00	0	0	0	0.00	0.00
Sub- total (A) (2):-	0	0	0	0.00	0	0	0	0.00	0.00
Total sharehold- ing of Promoter (A)=(A)(1)+(A)(2)	354378740	0	354378740	56.25	354378740	0	354378740	56.25	0.00
B. Public shareholding									
1. Institutions									
a) Mutual Funds	100	3700	3800	0.00	100	4400	4500	0.00	0.00
b) Banks/FI/ Insurance Companies	131888662	2200	131890862	20.94	132245405	2200	132247605	20.99	(0.01)
c) Central Govt./ State Govt.	3500	0	3500	0.00	2500	0	3500	0.00	0.00
e) Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
f) Foreign Fin Inst./Banks/ Foreign Portfolio Investors	5485817	0	5485817	0.87	5125017	600	5125617	0.87	(0.37)
g) Foreign Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
h) Others (specify	0	0	0	0.00	0	0	0	0.00	0.00
(i) Stressed Asset	0	0	0	0.00	0	0	0	0.00	0.00
Sub-total (B)(1):-	137378079	5900	137383979	21.81	137373022	7200	137380222	21.80	(0.01)

2. Non Institutions									
a) Bodies Corp. (Indian & Overseas)	22433416	0	22433416	3.56	27043957	6001	27049958	3.56	(0.88)
b) Individuals									
(i) Individual Shareholders holding nominal share capital upto ₹ 2 lakh	64419301	66589	64485890	10.24	63085745	72021	63157766	10.02	(0.22)
ii) Individual share-holders holding nominal share capital in excess of ₹ 2 lakh	33969896	0	33969896	5.39	32198608	0	32198608	5.11	(0.28)
c) Others (Specify)									
Trusts	231565	0	231565	0.04	280680	0	280680	0.04	0.00
Foreign Nationals	0	0	0	0	0	0	0	0	0
NRI & Foreign Corporate Bodies	2003402	0	2003402	0.32	1815214	0	1815214	0.29	(0.03)
c-ii) Clearing Members	582761	0	582761	0.09	711063	0	711063	0.11	0.02
HUF	5906337	0	5906337	0.94	5464133	0	5464133	0.87	(0.07)
Sub-total (B)(2):-	129546678	66589	129613267	20.57	130599400	78022	130677422	20.73	0.16
Total Public Shareholding (B)=(B)(1)+(B)(2)	266924757	72489	266997246	42.38	267972422	85222	268057644	42.55	0.17
C. Shares held by Custodian for GDR&ADRs	8624014	0	8624014	1.37	7563616	0	7563616	1.20	(0.17)
Grand Total (A+B+C)	629927511	72489	630000000	100.0	629914778	85222	630000000	100.00	0.00

(ii) Shareholding of Promoters

SL NO.	Shareholder's Name	Shareholding at the beginning of the year as on 01.04.2016			Shareholding at the end of the year as on 31.03.2017			
		No. of shares	% of total shares of the company	% of Shares Pledged/ encumbered to total shares	No. of shares	% of total shares of the company	% of Pledged/ encumbered to total shares	
1.	PRESIDENT OF INDIA	354378740	56.25	Nil	354378740	56.25	Nil	Nil
	Total	354378740	56.25	Nil	354378740	56.25	Nil	Nil

(iii) Change in Promoters' Shareholding during the F.Y. 2016-17 (please specify, if there is no change)

Sl. NO.		Shareholding at the Beginning of the year as on 01.04.2016		Cumulative Shareholding during the year as on 2016-17	
		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 01.04.2016)	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 31.03.2017)	354378740	56.25	354378740	56.25

There is no change in the total Shareholding of Promoters i.e. President of India between 01.04.2016 and 31.03.2017 (during F.Y. 2016-17).

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) as on 31.03.2017:

Sl. NO.	Name	Shareholding at the beginning of the year as on 01.04.2016					Cumulative Shareholding during the year (2016-17)	
		No. of Shares at the beginning of the year (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company	Date	In-crease/ De-crease in share-holding	Reason	No. of shares	% of total shares of the company
1	LIFE INSURANCE CORPORATION OF INDIA	118515213	18.812	31-Mar-16		Nil Movement During The Year	118515213	18.8119
		118515213	18.812	31-Mar-17			118515213	18.8119
2	THE BANK OF NEW YORK MELLON	8624014	1.3689	31-Mar-16				0
			0	07-Oct-16	-21000	Transfer	8603014	1.3656
			0	14-Oct-16	-151952	Transfer	8451062	1.3414
			0	04-Nov-16	-221216	Transfer	8229846	1.3063
			0	11-Nov-16	-11910	Transfer	8217936	1.3044
			0	02-Dec-16	-92452	Transfer	8125484	1.2898
			0	09-Dec-16	-360000	Transfer	7765484	1.2326
			0	23-Dec-16	-40754	Transfer	7724730	1.2261
			0	06-Jan-17	-20792	Transfer	7703938	1.2228
			0	13-Jan-17	-38378	Transfer	7665560	1.2168
			0	17-Feb-17	-17214	Transfer	7648346	1.214
			0	03-Mar-17	-10000	Transfer	7638346	1.2124
			0	24-Mar-17	-27542	Transfer	7610804	1.2081
			0	31-Mar-17	-47188	Transfer	7563616	1.2006
		7563616	1.2006	31-Mar-17			7563616	1.2006
3	SHAREKHAN FINANCIAL SERVICES PVT LTD	6013258	0.9545	31-Mar-16				0
			0	08-Apr-16	150	Transfer	6013408	0.9545
			0	15-Apr-16	168	Transfer	6013576	0.9545

Sl. NO.	Name	Shareholding at the beginning of the year as on 01.04.2016					Cumulative Share-holding during the year (2016-17)	
		No. of Shares at the beginning of the year (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company	Date	In-crease/ De-crease in share-holding	Reason	No. of shares	% of total shares of the company
			0	22-Apr-16	-2350	Transfer	6011226	0.9542
			0	29-Apr-16	-1275	Transfer	6009951	0.954
			0	06-May-16	-1186	Transfer	6008765	0.9538
			0	13-May-16	-1115	Transfer	6007650	0.9536
			0	20-May-16	925	Transfer	6008575	0.9537
			0	27-May-16	-5498075	Transfer	510500	0.081
			0	03-Jun-16	-29312	Transfer	481188	0.0764
			0	10-Jun-16	-11938	Transfer	469250	0.0745
			0	17-Jun-16	-109248	Transfer	360002	0.0571
			0	24-Jun-16	-557	Transfer	359445	0.0571
			0	30-Jun-16	1307	Transfer	360752	0.0573
			0	08-Jul-16	-1385	Transfer	359367	0.057
			0	15-Jul-16	-3538	Transfer	355829	0.0565
			0	22-Jul-16	27001	Transfer	382830	0.0608
			0	29-Jul-16	6650	Transfer	389480	0.0618
			0	05-Aug-16	28425	Transfer	417905	0.0663
			0	12-Aug-16	281	Transfer	418186	0.0664
			0	19-Aug-16	40050	Transfer	458236	0.0727
			0	26-Aug-16	2633	Transfer	460869	0.0732
			0	02-Sep-16	-89	Transfer	460780	0.0731
			0	09-Sep-16	19471	Transfer	480251	0.0762
			0	16-Sep-16	-250	Transfer	480001	0.0762
			0	23-Sep-16	-32175	Transfer	447826	0.0711
			0	30-Sep-16	5515	Transfer	453341	0.072
			0	07-Oct-16	-10615	Transfer	442726	0.0703
			0	14-Oct-16	-958	Transfer	441768	0.0701
			0	21-Oct-16	172	Transfer	441940	0.0701
			0	28-Oct-16	-2024	Transfer	439916	0.0698
			0	04-Nov-16	3863335	Transfer	4303251	0.6831

Sl. NO.		Shareholding at the beginning of the year as on 01.04.2016					Cumulative Share-holding during the year (2016-17)	
		No. of Shares at the beginning of the year (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company	Date	In-crease/ De-crease in share-holding	Reason	No. of shares	% of total shares of the company
			0	11-Nov-16	89648	Transfer	4392899	0.6973
			0	18-Nov-16	245391	Transfer	4638290	0.7362
			0	25-Nov-16	92035	Transfer	4730325	0.7508
			0	02-Dec-16	-200	Transfer	4730125	0.7508
			0	09-Dec-16	1197139	Transfer	5927264	0.9408
			0	16-Dec-16	325	Transfer	5927589	0.9409
			0	23-Dec-16	-13175	Transfer	5914414	0.9388
			0	31-Dec-16	139750	Transfer	6054164	0.961
			0	06-Jan-17	89775	Transfer	6143939	0.9752
			0	13-Jan-17	-239257	Transfer	5904682	0.9373
			0	20-Jan-17	461000	Transfer	6365682	1.0104
			0	27-Jan-17	178000	Transfer	6543682	1.0387
			0	03-Feb-17	87650	Transfer	6631332	1.0526
			0	10-Feb-17	47490	Transfer	6678822	1.0601
			0	17-Feb-17	108219	Transfer	6787041	1.0773
			0	24-Feb-17	8816	Transfer	6795857	1.0787
			0	03-Mar-17	-260	Transfer	6795597	1.0787
			0	10-Mar-17	6180	Transfer	6801777	1.0796
			0	17-Mar-17	278575	Transfer	7080352	1.1239
			0	24-Mar-17	63110	Transfer	7143462	1.1339
			0	31-Mar-17	155978	Transfer	7299440	1.1586
		7299440	1.1586	31-Mar-17			7299440	1.1586
4	UNITED INDIA INSURANCE COMPANY LIMITED	3639206	0.5777	31-Mar-16		Nil Movement During The Year	3639206	0.5777
		3639206	0.5777	31-Mar-17			3639206	0.5777
5	GENERAL INSURANCE CORPORATION OF INDIA	2891603	0.459	31-Mar-16		Nil Movement During The Year	2891603	0.459

Sl. NO.	Name	Shareholding at the beginning of the year as on 01.04.2016					Cumulative Shareholding during the year (2016-17)	
		No. of Shares at the beginning of the year (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company	Date	In-crease/ De-crease in share-holding	Reason	No. of shares	% of total shares of the company
		2891603	0.459	31-Mar-17			2891603	0.459
6	PRAKASH BABALAL SHAH	2149900	0.3413	31-Mar-16		Nil Movement During The Year	2149900	0.3413
		2149900	0.3413	31-Mar-17			2149900	0.3413
7	THE NEW INDIA ASSUR-ANCE COMPA-NY LIMITED	1994544	0.3166	31-Mar-16		Nil Movement During The Year	1994544	0.3166
		1994544	0.3166	31-Mar-17			1994544	0.3166
8	KAVITA R. POPLEY	2850363	0.4524	31-Mar-16				0
			0	17-Jun-16	-75000	Transfer	2775363	0.4405
			0	24-Jun-16	-5000	Transfer	2770363	0.4397
			0	30-Jun-16	-13423	Transfer	2756940	0.4376
			0	08-Jul-16	-35000	Transfer	2721940	0.4321
			0	15-Jul-16	-35000	Transfer	2686940	0.4265
			0	21-Oct-16	-25000	Transfer	2661940	0.4225
			0	04-Nov-16	-50000	Transfer	2611940	0.4146
			0	23-Dec-16	-5000	Transfer	2606940	0.4138
			0	31-Dec-16	-15000	Transfer	2591940	0.4114
			0	13-Jan-17	-75000	Transfer	2516940	0.3995
			0	03-Feb-17	-260000	Transfer	2256940	0.3582
			0	10-Feb-17	-205000	Transfer	2051940	0.3257
			0	10-Mar-17	-100000	Transfer	1951940	0.3098
		1951940	0.3098	31-Mar-17			1951940	0.3098
9	ELARA INDIA OPPORTUNI-TIES FUND LIMITED	1618500	0.2569	31-Mar-16		Nil Movement During The Year	1618500	0.2569
		1618500	0.2569	31-Mar-17			1618500	0.2569
10	PUNJAB NATIONAL BANK	1550000	0.246	31-Mar-16		Nil Movement During The Year	1550000	0.246

Sl. No.		Shareholding at the beginning of the year as on 01.04.2016					Cumulative Shareholding during the year (2016-17)	
	Name	No. of Shares at the beginning of the year (01.04.16)/ end of the year (31.03.17)	% of total shares of the Company	Date	Increase/ Decrease in shareholding	Reason	No. of shares	% of total shares of the company
		1550000	0.246	31-Mar-17			1550000	0.246

(v) Shareholding of Directors and Key Managerial Personnel as on 31st March 2017:

SI No.		Shareholding at the beginning of the year as on 01.04.2016		Cumulative Shareholding during the year (2016-17)	
	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 Narendra Kumar Yadav(Chairman & Managing Director) (ceased to be CMD on 08.06.2016)	NIL		NIL	
2.	Shri P. K. Purwar CMD & Dir(Fin) (Was given additional charge of CMD w.e.f. 08.06.2016. Appointed as regular CMD on 03.03.2017 and entrusted with additional charge of Director (Fin) on 03.03.2017)	NIL		NIL	
3.	Shri Sunil Kumar Dir(HR&EB)	NIL		NIL	
4.	Shri Sanjeev Kumar, Dir (Tech) (Appointed as Director (Technical) w.e.f. 02.07.2016)	NIL		NIL	
5.	Smt. Simmi R. Nakra, Govt. Director (ceased to be Director w.e.f. 12.04.2016.)	NIL		NIL	
6.	Shri Amit Yadav, Govt. Director	NIL		NIL	
7.	Smt. Tiakala Lynda Yaden, Govt. Director	NIL		NIL	
8.	Shri Rakesh Nangia, Independent Director	NIL		NIL	
9.	Shri Ashok Mittal. Independent Director	NIL		NIL	
10.	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. 2016-17 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 year as on 01.04.2016				
i) Principal Amount	2495.00	10901.15	—	13396.15
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	17.36	76.05	—	93.41
Total (i+ii+iii)	2512.36	10977.20	--	13489.56
Change in Indebtedness during the financial year 2016-17				
• Addition	1759.32	--	--	1759.32
• Reduction	--	(22.82)	--	(22.82)
Net Change	1759.32	(22.82)	--	1736.50
Indebtedness at the end of the financial year as on 31.03.2017				
i) Principal Amount	4267.98	10888.00	--	15155.98
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	3.70	66.38	--	70.08
Total (i+ii+iii)	4271.68	10954.38	—	15226.06

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 Rs. 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. 2016-17:

SI No.	Particulars of Remuneration	NAME OF MD/WTD/Manager				Total Amount in Rupees
		Shri N. K. Yadav (CMD from 01.04.2016 to 08.06.2016)	Shri P. K. Purwar, CMD & Dir (Fin)	Shri Sunil Kumar, Dir (HR & EB)	Shri Sanjeev Kumar, Director (Tech)	

SI No.	Particulars of Remuneration	NAME OF MD/WTD/Manager				Total Amount in Rupees
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	NIL	21,51,852	21,10,732	13,11,515	55,74,099
		NIL	5,85,014	5,63,648	3,72,465	15,21,127
		-	-	-	-	
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)	NIL	27,36,866	26,74,380	16,83,980	70,95,226
	Ceiling as per the Act	As per Section 198 of the Companies Act, 2013				

B. REMUNERATION TO OTHER DIRECTORS DURING THE F.Y. 2016-17

SI no.	Particulars of Remuneration	Name of Directors		Total Amount in Rupees
	Independent Directors	Shri Rakesh Nangia	Shri Ashok Mittal	
	• Fee for attending Board and its committee meetings	1,60,000	1,60,000	3,20,000
	• Commission	Nil	Nil	Nil
	• Others, please specify			
	Total (1)	1,60,000	1,60,000	3,20,000
	Other Non-Executive Directors			
	• Fee for attending board committee meetings	NIL	NIL	NIL
	• Commission			
	• Others, please specify			
	Total (2)	—	—	—

	Total (b)=(1+2)	1,60,000	1,60,000	3,20,000
	Total Managerial Remuneration (A+B)			74,15,226
	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/WTG DURING THE F.Y. 2016-17

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	-	15,58,413	15,58,413
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	-	2,427	2,427
2.	Stock Option	-	-	-
3.	Sweat Equity	-	-	-
4.	Commission			
	- As % of profit	-	-	-
	- Others, specify			
5.	Others, please specify	-	-	-
	Total	-	15,60,840	15,60,840

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES DURING THE F.Y. 2016-17:

--- 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 2016-17

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)Reg. 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 broad based Board with an optimum mix of Executive, Non-Executive and Independent Directors. As on March 31, 2017, the Company had Seven Directors including one Women Director. Out of the Seven Directors, Four (i.e. 57.14%) are Non-executive Directors and Three (i.e. 42.86%) are Executive Directors. The composition of the Board is not in Conformity with Regulations 17 of SEBI (LODR) Regulation, 2015 read with Section 149 of the Act and the DPE Guidelines on Corporate Governance. The Company has requested Administrative Ministry i.e. Department of Telecommunications, Government of India to appoint sufficient number of Independent Directors at the earliest.

Independent Directors are 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. The terms and conditions of appointment of the Independent Directors are disclosed on the Website of the Company.

The Board functions as a Full Board. The Board has constituted five mandatory Board level committees under the Companies Act, 2013, SEBI (LODR) 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 periodically. The details are given elsewhere in this report.

(I) THE LIST OF PRESENT DIRECTORS (AS ON 10.08.2017) ALONG WITH THEIR CATEGORY AND THEIR DIRECTORSHIP IN OTHER COMPANIES/ MEMBERSHIP IN OTHER COMMITTEES IS GIVEN AS UNDER:

NAME	CATEGORY/ DESIGNATION	DIRECTORSHIP IN OTHER COMPANIES	MEMBERSHIP IN OTHER COMMITTEE
Shri. Pravin Kumar Purwar	CMD & Director (Fin)	1. MTNL STPI IT Services Ltd. – Chairman & Director 2. Mahanagar Telephone Nigam (Mauritius) Ltd. - Chairman & Director 3. United Telecom Ltd. - Director	Chairman & Member –CSR Committee & Enterprise Risk Management Committee.
Shri Sunil Kumar	Director (HR&EB)	1. MTNL STPI IT Services Ltd. – Director 2. Millenium Telecom Ltd. - Chairman & Director	Member - Enterprise Risk Management Committee & CSR Committee.
Shri Sanjeev Kumar	Director (Tech)	1. MTNL STPI IT Services Ltd. – Director	Member – Stakeholders Relationship Committee, CSR Committee & Enterprise Risk Management Committee.
Smt Tiakala Lynda Yaden	Government Nominee Director	NIL	-
Shri Amit Yadav	Government Nominee Director	NIL	Member- Audit Committee, Stakeholders Relationship Committee, Nomination and Remuneration Committee & CSR Committee
Shri Rakesh Nangia	Independent Director	1. Cosmo Ferrites Ltd.- Director 2. Torrence Capital Advisors Pvt.Ltd.-Director 3. The Indo-Canadian Business Chamber- Director 4. True Gainers Network Pvt.Ltd.-Director 5. Nangia Advisors Pvt.Ltd.- Director 6. Nangia & Co, Chartered Accountants – Managing Partner 7. Nangia Insolvency Professionals LLP – Designated Partner.	Chairman-Audit Committee Member-Enterprise Risk Management Committee & Nomination & Remuneration 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 – Designated Partner 3. SRS Lotus Projects Pvt. Ltd – Additional Director	Chairman- Stakeholders Relationship Committee & Nomination and Remuneration Committee Member- Audit Committee, CSR Committee & Enterprise Risk Management Committee

(II) ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS DURING THE FINANCIAL YEAR 2016-17 AND IN THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings as per the provisions of the Companies Act, 2013. The detailed agenda along with the explanatory notes are circulated in advance to all the Directors. The Directors can suggest inclusion of any item(s) in the agenda at the Board meeting. During the year 2016-17, 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 year 2016-17, a total of 10 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 2016-17 and in the last AGM (held on 30.09.2016) are given below:-

Name of the Director	No. of Board Meetings attended	Percent-age (%)	Attendance at the Last AGM held on 30th September, 2016	Remarks
Shri N. K. Yadav, ex-CMD	1/1	100%	N.A.	Ceased to be CMD w.e.f. 08.06.2016
Shri P.K. Purwar, CMD & Director (Fin)	10/10	100%	Yes	Was given additional charge of CMD w.e.f. 08.06.2016. Appointed as regular CMD on 03.03.2017 and entrusted with additional charge of Director (Fin) w.e.f. 03.03.2017
Shri Sunil Kumar, Director (HR & EB)	10/10	100%	Yes	---
Shri Sanjeev Kumar, Director (Tech)	9/9	100%	Yes	Appointed as Director (Technical) w.e.f. 02.07.2016
Smt. Simmi R. Nakra, Govt. Director	N.A	N.A	N.A	Ceased to be Director w.e.f. 12.04.2016
Shri Rakesh Nangia, Independent Director	9/10	90%	No	
Shri Ashok Mittal, Independent Director	9/10	90%	N0	

Shri Amit Yadav, Govt. Director	7/10	70%	No	
Smt. Tiakala Lynda Yaden, Govt. Director	7/10	70%	Yes	

**(III) DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2016-17
(01/04/2016 to 31/03/2017) ARE GIVEN BELOW:-**

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	314	30.05.2016	New Delhi	7/7
2	315	08.08.2016	New Delhi	7/7
3	316	16.08.2016	New Delhi	5/7
4	317	13.09.2016	New Delhi	6/7
5	318	15.11.2016	New Delhi	7/7
6	319	08.12.2016	New Delhi	6/7
7	320	14.12.2016	New Delhi	6/7
8	321	24.12.2016	New Delhi	6/7
9	322	14.02.2017	New Delhi	7/7
10	323	27.03.2017	New Delhi	5/7

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

None of the Directors on the Board hold Directorships in more than ten public companies. Further none of them is a member of more than ten 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, 2017 have been made by the Directors. None of the Directors are related to each other.

3. AUDIT COMMITTEE

The role and responsibilities of the Audit Committee includes the following:-

- Oversight of the Company's Financial Reporting process and the disclosure of its financial information to ensure that the Financial Statement is correct, sufficient and credible.
- Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- Review and monitor the Auditor's independence and performance, and effectiveness of Audit process,
- Recommending the Appointment and Removal of Statutory Auditors, taking decisions regarding audit fees and related expenses.
- Reviewing the Company's Financial and Risk Management Policies.
- Approval or any Subsequent Modification of Transactions of the Company with related parties,
- Scrutiny of inter-corporate loans and investments,

- Valuation of undertakings or assets of the Company, wherever it is necessary,
- Reviewing, with the management, the annual financial statement and auditor's report thereon before submission to the Board for approval, with particular reference to;
- Matters required to be included in the Director's Responsibility Statement to be included in the Board's Report in terms of Clause (c) of sub section 3 of section 134 of the Companies Act, 2013
- Changes, if any, in accounting policies and reasons for the same
- Major accounting entries involving estimates based on the exercise of judgment by management
- Significant adjustments made in the financial statement arising out of audit findings
- Compliance with listing and other legal requirements relating to financial statements
- Disclosure of any related party transactions
- Qualifications in the draft audit report
- Discussion with internal auditors of any significant findings and follow up thereon
- Approval or any subsequent modification of transaction of the company with related parties:
(Provided that the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to such conditions as may be prescribed)
- To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors
- Reviewing the adequacy of the internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit
- To review the functioning of the Whistle Blower Mechanism
- Monitoring the end use of funds raised through public offers and related matters.
- Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.
- In term of the Insider Trading Code adopted by the Company, the Committee takes on record status of the compliance of Insider Trading Code at the end of the Financial Year.
- The Audit Committee shall review the information required as per SEBI (LODR) 2015.

As on 30.06.2017 the Audit Committee consists of the following Members:-

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

(I) ATTENDANCE OF DIRECTORS AT THE AUDIT COMMITTEE MEETINGS DURING THE FINANCIAL YEAR 2016-17.

The Audit Committee held 6 meetings during the Financial Year 2016-17 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
Smt. Simmi R. Nakra, Member	N.A	N.A	Ceased to be Member w.e.f. 12.04.2016
Shri Ashok Mittal	6/6	100%	
Shri Rakesh Nangia	6/6	100%	
Shri Amit Yadav	5/6	83.33%	

(II) DETAILS OF AUDIT COMMITTEE MEETINGS HELD DURING THE FINANCIAL YEAR 2016-17 (01/04/2016 to 31/03/2017)

Sl. No.	Meeting No.	Date	Place	No. of Members Attended
1	107	19.04.2016	New Delhi	3/3
2	108	30.05.2016	New Delhi	3/3
3	109	13.09.2016	New Delhi	2/3
4	110	14.12.2016	New Delhi	3/3
5	111	14.02.2017	New Delhi	3/3
6	112	07.03.2017	New Delhi	3/3

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

As on 30.06.2017, the Nomination & Remuneration Committee consists of the following members:-

- 1) Shri Ashok Mittal, Independent Director - Chairman
- 2) Shri Rakesh Nangia, Independent Director - Member
- 3) Shri Amit Yadav, Govt. Director - Member
- 4) Shri P.K. Purwar, CMD & Director (Fin) - Invitee
- 5) Shri Sunil Kumar, Director (HR & EB) - Invitee
- 6) Shri Sanjeev Kumar, Director (Tech) - Invitee
- 7) Shri S.R. Sayal, Company Secretary - Secretary

No meeting of the Nomination & Remuneration Committee was held during the Financial Year 2016-17.

(I) The details of remuneration paid to the Whole- Time Directors during F.Y. 2016-17 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 N.K.Yadav, CMD(Appointed on 08.06.2015 & ceased to be CMD on 08.06.2015)	NIL	—	NIL	NIL
Shri P. K. Purwar, CMD & Dir(Fin.)	21,51,852	—	5,85,014	27,36,866
Shri Sunil Kumar, Dir (HR& EB)	21,10,732	—	5,63,648	26,74,380
Shri Sanjeev Kumar, Director (Tech) (Appointed as Director (Tech) w.e.f. 02.07.2016)	13,11,515	—	3,72,465	16,83,980

**relating to FY 2016-17*

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. 2016-17 only four 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 four 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.

No meeting of the Stakeholders Relationship Committee was held during the Financial Year 2016-17.

As on 30.06.2017, the Stakeholders Relationship Committee consists of the following members:-

- | | |
|--|-------------|
| 1. Shri Ashok Mittal, Independent Director | - Chairman |
| 2. Shri Amit Yadav, Government Director | - Member |
| 3. Shri Sanjeev Kumar, Director (Tech) | - Member |
| 4. Shri S.R. Sayal, Company Secretary | - Secretary |

6. CORPORATE SOCIAL RESPONSIBILITY (“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 2016-17.

As on 30.06.2017, 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

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 30.06.2017, the Enterprise Risk Management Committee consists of the following Members:-

1.	Shri P.K.Purwar, CMD & Director(Finance)	-	Chairman
2.	Shri Sunil Kumar, Director(HR & EB)	-	Member
3.	Shri Sanjeev Kumar, Director (Tech)	-	Member
4.	Shri Rakesh Nangia, Independent Director	-	Member
5.	Shri Ashok Mittal, Independent Director	-	Member
6.	ED (Delhi)	-	Invitee
7.	ED (Mumbai)	-	Invitee
8.	Shri S.R. Sayal, Company Secretary	-	Secretary

8. SHARE TRANSFER COMMITTEE (STC)

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.

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 2016-17 is as under:

SI No	Name of the Independent director	Sitting fees					Total Amount in Rupees
		Board Meetings	Committee Meetings				
			Audit Committee	CSR Committee	Stakeholder Relationship Committee		
1.	Shri Rakesh Nangia	90,000	60,000	-	-	10,000	1,60,000
2.	Shri Ashok Mittal	90,000	60,000	-	-	10,000	1,60,000

(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: mtnlcscsco@gmail.com.

11. LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETING

Nature of meeting	Date and Time	Venue
30 th Annual General Meeting (2016)	30 th September, 2016, 11:30 A.M.	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003
29 th Annual General Meeting (2015)	29 th September, 2015, 11:30 A.M	Auditorium, Mahanagar Doorsanchar Sadan, Floor 9,CGO Complex, Lodhi Road, New Delhi-110003
28 th Annual General Meeting (2014)	30 th September, 2014, 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.

A special resolution was passed in the 28th AGM for issue of Non – Convertible Debentures on private placement basis. Two special resolutions were passed in the 29th AGM- (i) to raise the borrowing powers of the Board from ₹ 15,000 Cr to ₹ 18,000 Cr and (ii) to issue Non – Convertible Debentures on private placement basis. A special resolution was

passed in the 30th AGM for Issue of Non-Convertible Debentures on Private Placement basis. No special resolution was passed through Postal Ballot during the FY 2016-17. 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 2016-17.

12. DISCLOSURES

- (I) **Status Report on Compliance with Corporate Governance Requirement specified in SEBI (LODR) Regulation, 2015** (i) Regulation 17(1) regarding Composition of Board is not being complied as the Company is not having requisite number of Independent Directors as all directors are appointed by Government of India and we have requested DoT our Administrative Ministry to appoint the requisite number of Independent Directors on the Board of MTNL.
- (II) CEO/CFO Certification - CMD & Director (Finance) of the Company have given the CEO/CFO certification to the Board for the Financial Year 2016-17.
- (III) During the last three years i.e. 2014-15, 2015-16 and 2016-17 there has been no instance 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.
- (IV) **Policy on Related Party Transactions:** The Policy on Related Party Transactions has been approved by the Board and the same may be accessed on the Company's Website at the link: http://mtnl.in/Policy_relpartytransac.pdf
- (V) **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.
- (VI) **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.
- (VII) **Policy for Determining Materiality of an Event or Information:** The Policy for determining Materiality of an event or information as defined under Regulation 30 of SEBI (LODR), 2015 has been approved by the Board and the same may be accessed on the Company's Website at the link: <http://mtnl.in/PolicyfordeterminingMateriality.pdf>
- (VIII) **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



- (IX) 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>
- (X) **Business Responsibility Report for the FY 2016-17:** 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.
- (XI) **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.
- (XII) **Code of Conduct for Directors, Key Managerial Personnel and Senior Management Personnel:** The Board of Directors of MTNL has approved the Code of Conduct for Directors, Key Managerial Personnel and Senior Management Personnel as per Companies Act, 2013 and SEBI (LODR) 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.
- (XIII) **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. 2016-17. 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 2016-17”.

Sd/-

(P.K. Purwar)

Chairman & Managing Director

PLACE: New Delhi

DATE: 30.06.2017

(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) Business Sustainability Report, Management Discussion & Analysis (MD&A) Report and other important information is circulated to members and is also displayed on the Company's website www.mtnl.net.in and is a part of the Company's Annual Report.
- c) Printed copy of the Chairman's Speech (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 Listing Centre: All periodical compliance filings like Shareholding pattern, Corporate Governance Report, media releases, etc are filed electronically on BSE Listing Centre in order to comply with Regulation 10 of SEBI (LODR), 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 - 27th September, 2017 At 11.30 AM.
- (c) Venue - Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003
- (d) Financial year - 1st April 2016 to 31st March 2017
- (e) Financial Calendar

Board meeting for considering Audited Annual Accounts for the year ended on 31.03.2017	30th May , 2017
Submission of Audited Accounts to C&AG of India	2nd June , 2017
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th June 2017	14th August, 2017
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the Quarter ended on 30th September 2017	On or before 14th November, 2017
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 31st December 2017	On or before 14th February, 2018
Board Meeting for Annual Financial Results and Unaudited Quarterly Financial Results for the Quarter ended on 31st March 2018	On or before 30th May, 2018

- (f) Dates of Book Closure - 21st September, 2017 to 27th September, 2017
(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 - 'MAHANGR TELE 108',
25th Floor, P.J. Towers, Dalal Street, Mumbai – 400001.
 - (2) The National Stock Exchange of India Limited, (NSE Ltd.)
Scrip Code - 'MTNL EQ'
Exchange Plaza, Plot no C/1, G – Block, Bandra Kurla Complex,
Bandra (East), Mumbai 400051.
 - (3) OTCQX International Market
Scrip code - 'MTENY'
- (4) Applications for delisting of MTNL's shares from Delhi, Calcutta & Madras Stock Exchanges have been filed with the above mentioned Stock Exchanges on 16th October, 2012. No Confirmation of delisting has been received from them so far. However, the Company has not been paying listing fees from the financial year 2013-14.
- (i) Demat ISIN Numbers of Equity Shares - INE 153A01019
of MTNL in CDSL & NSDL
- j. Payment of Listing Fees and Annual Custody fee : Annual Listing Fees and Annual Custody fee for the Financial Year 2016-17 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 2016-17 at BSE and NSE is given here under:-

The Opening Price on BSE as on 01/04/2016 was ₹17.80 and NSE as on 01/04/2016 was ₹17.65

The Closing Price on BSE as on 31/03/2017 was ₹24.00 and NSE as on 31/03/2017 was ₹24.00

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, 2016	20.10	17.15	20.20	17.15
May, 2016	20.65	17.20	20.70	17.20
June, 2016	23.00	18.55	23.00	18.55
July, 2016	23.80	21.20	23.80	21.20
August, 2016	22.05	19.80	22.05	19.85
September, 2016	23.25	19.35	23.20	19.40
October, 2016	20.70	19.00	20.80	19.00
November, 2016	20.60	15.00	20.60	15.60
December, 2016	20.95	17.20	20.90	17.15
January, 2017	22.30	19.30	22.35	19.10
February, 2017	25.70	20.20	25.70	20.20
March, 2017	26.50	22.10	26.60	22.00



(l) Registrar and Transfer Agents of Equity Shares of MTNL - M/s. Beetal Financial & Computer Services (P) Ltd, 3rd Floor, Beetal House, 99, Madangir, Behind Local Shopping Centre, Near Dada Harsukhdas Mandir, New Delhi - 110 062. Ph: 011 29961281-82 Fax No.: 011- 29961284. E-mail- beetalrta@gmail.com

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

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

(o) Share Transfer System - As per the directives of Securities & Exchange Board of India, the Equity Shares of your Company have been mandated for trading in dematerialized form by all categories of investors since 1997. Share transfers in physical form are registered, if documents are complete in all respects, and thereafter the share certificates are issued within 15 days from the date of receipt of request for transfer of shares. 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.

(p) Information on Distribution of Equity Shareholding as on 31st March, 2017.

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	110310	81.47	15846871	158468710.00	2.5154
5001 to 10000	11674	8.62	9917297	99172970.00	1.5742
10001 to 20000	6107	4.51	9642654	96426540.00	1.5306
20001 to 30000	2143	1.58	5590486	55904860.00	0.8874
30001 to 40000	1046	0.77	3800001	38000010.00	0.6032
40001 to 50000	1124	0.83	5391091	53910910.00	0.8557
50001 to 100000	1615	1.19	12226471	122264710.00	1.9407
100001 and above	1375	1.01	567585129	5675851290.00	90.0929
TOTAL	135394	100.00	630000000	6300000000.00	100.00

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

(q) Dematerialization of shares and liquidity - As on 31st March 2017, 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.



(r) Transfer of unpaid/unclaimed amounts to Investor Education and Protection Fund - During the Financial Year 2016-17, the Company has credited ₹10,79,341 lying in the unpaid/unclaimed dividend account, to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the erstwhile Companies Act, 1956 read with the Investor Education and Protection Fund (Awareness and Protection of Investor) Rules, 2001. Pursuant to the provision of Investor Education and Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has uploaded the details of unpaid and unclaimed amounts lying with the Company as on September 30, 2016 (date of last Annual General Meeting) on the Ministry of Corporate Affairs website.

Beneficiary Account:

(s) In accordance with the requirement of Regulation 34 (3) and Schedule V Part F of SEBI Listing Regulations, MTNL has opened a Beneficiary Account under the name of "MTNL- Unclaimed Suspense Account" (DP ID- IN301330, Client ID- 21234840) for crediting unclaimed demat shares of MTNL on November 1, 2012 as under:

DETAILS OF MTNL- UNCLAIMED SUSPENSE ACCOUNT

Opening Balance (as on 01.04.2016)		Requests received and Disposed off during 2016-2017		Closing Balance (as on 31.03.2017)	
Cases	Shares	Cases	Shares	Cases	Shares
0	0	0	0	0	0

(t) Outstanding GDRs/ ADRs/ Warrants or any convertible instruments, conversion date and likely impact on equity:- As on March 31, 2017, the Company does not have any outstanding GDRs/ ADRs/ Warrants or any convertible instruments.

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

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

(w) Investors' correspondence may be addressed to:

Shri S.R. Sayal

Company Secretary and Compliance Officer,

Mahanagar Telephone Nigam Limited,

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

Tel: 91+11-24317225 Fax: 91+11-24315655

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

E-mail Id: cscobol.net.in, mtnlcscobol@gmail.com.

ANNEXURE VI TO DIRECTORS' REPORT

BUSINESS RESPONSIBILITY REPORT (For F.Y. 2016-2017)

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L32101DL1986GOI023501
2.	Name of the Company	Mahanagar Telephone Nigam Limited
3.	Registered Address	Mahanagar Doorsanchar Sadan, 5 th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003
4.	Website	www.mtnl.net.in
5.	E-mail id	mtnlcsc@gmail.com
6.	Financial Year reported	2016-17
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 undertaken by the Company:	
	i) Number of International Locations	- NIL. However the Company has a Wholly Owned Subsidiary in Mauritius i.e. MTML and Joint Venture in Nepal i.e. UTL
	ii) Number of National Locations	- 2 (Delhi & Mumbai)
10.	Markets served by the Company- Local/State/National/International	National (Delhi & Mumbai) and International (Mauritius through Its subsidiary and Nepal through its JV as per 9 (i) above.

Section B: Financial Details of the Company

1.	Paid up Capital (INR)	₹ 630 Crores
2.	Total Turnover (INR) (including other income)	₹ 3552.46 Crores
3.	Total profit after taxes (INR) including other comprehensive income.	₹ (2970.57) 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 31.3.2017:-

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 & Tech)
 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	N	N	Y	Y	N
8.	Does the Company have in-house structure to implement the policy/policies	Y	Y	Y	Y	Y	N	Y	Y	Y
9.	Does the Company have a grievance redressal mechanism related to the policy/policies to address stakeholders' grievances related to the policy/policies?	Y	Y	Y	Y	N	N	Y	Y	Y
10.	Has the company carried out independent audit/evaluation of the working of this policy by an internal or external agency?	Y	N	N	N	N	N	N	N	N

i) Web links for the Policies

Code of Conduct	-	www.mtnl.net.in
Whistle Blower Policy	-	www.mtnl.net.in
Citizen Charter	-	www.mtnl.net.in
CVC Guidelines	-	http://mtnl.net.in/vig.htm
CSR Policy	-	http://mtnl.in/csr_2014.pdf
Insider Trading Policy	-	http://mtnl.in/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. 2016-17				Bribery & Corruption Complaints received during the F.Y. 2016-17			
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
148	142	06	95.95	45	38	7	84.44

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.

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

- i) Identifying the faulty Power Plant and replacing the same systematically and using the Engine Alternator to the barest minimum.
- ii) 1 MSC(CDMA), 2 BSCs of CDMA (Vashi & Mankhurd) and one BSC of GSM(Vashi) were closed by rearrangement process. Also, the BSCs of GSM(Fountain & Prabhadevi) were deloaded by 60% through proper rearrangement. These activities resulted in substantial reduction of energy consumption.
- iii) In RF network, free cooling was done in 10 BTS Shelters and thus saved energy consumption.
- iv) During slack hours and areas where positions are vacant, unused cabins and training centre rooms, the AC and lights are kept switched off. When temperature of Call centre comes down due to continuous cooling some of the AC units are kept switched off.
- v) Free cooling systems are deployed at BTS sites to minimize the energy requirements on account of ACs.
- vi) Power factor is being maintained more than 0.95 for all the buildings.
- vii) Rationalization of contract demand and sanctioned load has been done.
- viii) Free cooling is being done in main buildings, RSUs / BTS.
- ix) 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: **27919** (as on 31.03.2017)
2. Please indicate the Total number of employees hired on temporary/contractual/casual basis: **1259**
3. Please indicate the Number of permanent women employees: **6818**
4. Please indicate the Number of permanent employees with disabilities: **61**
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	NIL
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: 12.96% (3619)
- Permanent women Employees: 9.25% (631)
- Casual/Temporary/Contractual Employees: Data N/A
- Employees with Disabilities: Data N/A

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

1. Has the Company mapped its internal and external stakeholders? Yes/No

Yes. Over the years of its existence, the organization has identified & engaged with a varied group of stakeholders- both internal like employees, shareholders & external such as customers, communities, Business Partners (Suppliers & Vendors), Industry Association etc.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized Stakeholders?

No Corporate Social Responsibility (CSR) funds has been allocated/spent for CSR activities during the Financial Year as the requirement for allocation of funds for CSR activities under section 135 of the Companies Act, 2013 is not applicable as the average profit during the three immediately preceding years is NIL (The Company is suffering losses).

3. Are there any special initiatives taken by the company to engage with the disadvantages, vulnerable and marginalized stakeholders. If so, provide details therefore, in about 50 words or so.

Not Applicable.

Principle 5: Business should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others?

MTNL owes allegiance to the Constitution of India, which resolves to secure to all its citizens justice, liberty, equality and fraternity and which also encompasses the fundamental human rights as envisaged in the Universal Declaration of Human Rights. MTNL stands committed to support and respect the protection of internationally proclaimed human rights at its work places and in dealing with customers, suppliers, customers, vendors etc.

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

Already given in Business Responsibility Report

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

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

The Company is following the Policy framed in this regard.

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

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

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

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

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

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

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

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

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

MTNL is complying with relevant Guidelines regarding Electromagnetic radiation from BTS Towers issued by DoT, GoI and TRAI. The Emissions/ Wastes generated is within the permissible limits given by the Pollution Control Board during the Financial Year 2016-17.

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: 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.**
All complaints are resolved within the time frame laid down by TRAI
- 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 handling 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.**
NO
- 4. Did your company carry out any consumer survey/consumer satisfaction trends?**
No such survey has been carried out during FY 2016-17.

ANNEXURE VII TO DIRECTORS' REPORT

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT

(ENTERPRISE RISK MANGEMENT POLICY OF MTNL) FOR THE F.Y. 2016-17.

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. Earlier, its shares were listed in DSE, CSE & MSE also. Applications for delisting of shares from Delhi, Calcutta and Madras Stock Exchanges have been made in October, 2012. Following major risks are faced by MTNL in the current competitive telecom scenario and it's Management & Minimization for the F.Y. 2016-17 are mentioned below:-

1. MARKET/COMPETITION RISK:

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

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

Further, the introduction of 4G services by various competitors specially launching of service by an operator with unlimited free calls with deeply discounted data rate has already put additional constraints on MTNL's revenue due to the additionally increased competition to Fixed wire line broadband and possibility of porting out of premium GSM customers since MTNL is providing only 2G/3G services is also a risk on MTNL. In the telecommunications industry, customer service and his loyalty are very important factors. MTNL should focus more on customer service and product differentiation as an effective way to compete in the market.

As the prices for our communications services decrease, then unless we are able to increase volume or offer additional services from which we can derive additional revenues or otherwise reduce our operating expenses, our operating results will continue to be in stress.

MTNL has transparent billing system and can strengthen accessibility to customers for grievance redressal beyond call center, service specific programs for different target groups, rapid response and meeting the requirements to subscribers as its strong point. Lack of a customer service could result in churn of subscribers to other operators, who may have a better brand value. The greater the customer loyalty to a mobile operator, the harder it is to churn by another operator. In other words, when a customer is satisfied with the existing operator, the consumer is less willing to change service provider. In this competitive era there is a strong need for direct communication with the customer for which a well trained and equipped human resources is required.

Therefore, MTNL needs to maintain customer's trust, brand value, communication with its subscribers, and good customer service. Importance should be given to the customers care specially corporate customers to generate more revenue, Door to door marketing, Melas, Corporate Meets etc. are best marketing strategy and the company should focus for increasing the subscriber base in this competitive market. All these require a well trained and equipped human resources whereas MTNL has huge legacy staff recruited way back in the era of P&T and needs to be re skilled which involves investment in trainings etc. Besides, the working culture inherited by staff from monopolistic regime needs to be got changed by reinventing the HR policies and proper training.

2. POLICY AND REGULATION RISK AND REGULATORY COMPLIANCE:

The Indian government regulates our business through licensing of services and service areas, and the regulator (TRAI) through price tariffs on some of services. The license for fixed-line services is valid until March 31, 2023 and Spectrum of 2G for cellular services is valid until 05-04-2019. As per the present Govt. policy MTNL may be required to pay one time spectrum charges for the spectrum held beyond 4.4 MHz w.e.f 01.07.2008 till expiry of CMTS license i.e. 05-04-2019. MTNL was holding 8 MHz regular 2G spectrum till 13.01.2013 and 8.4 MHz w.e.f 14.01.2013. Based on the auction prices MTNL may be required to pay around ₹ 1718 Cr (for both Delhi & Mumbai) towards payment of one time spectrum charges w.e.f. 01.07.2008 till expiry of 20 years or allotted Spectrum administratively for 2G Services i.e. upto 05.04.2019. Presently, the issue of payment of one time spectrum charges is under litigation and the payment liability will be subject to outcome of the case. Further keeping in view its present financial condition, MTNL has conveyed to DoT its inability to pay one time spectrum charges and has sought assistance of the Govt in the matter.

In addition to above, as per present policy, at the time of renewal of Spectrum, MTNL may be required to pay one time spectrum charges for the quantum of spectrum it intends to retain for another 20 years. As per the recent auction determined price, this liability comes out to be around ₹ 9484.31 Cr. for retaining 8.4 MHz (6.2-900 MHz + 2.2 -1800 MHz) spectrum for both Delhi and Mumbai from 06.04.2019 to 05.04.2039. DOT retains the right to revoke our licenses after giving one month's notice to us. The DOT also retains the right, after giving notice to us, to modify the terms and conditions of our licenses at any time including the related tariffs and fees, and to permit additional licenses or bidding, if it believed it is necessary or expedient to do so in the interest of the general public or for the proper operation of the telecommunications sector. A revocation of any license or a change in significant terms of any license, such as its duration, the amount of license fee payable, the range of services permitted and the scope of exclusivity could limit our ability to operate particular lines of our business or result in increased costs in the form of increased license fees or costs associated with applying for new licenses, or contesting limitations on our licenses and would have a material adverse effect on the Company's business, financial condition and results of operations as well.

MTNL has adjusted the License fee of ₹ 680.46 crores payable from 4th Quarter, 2013-14 to 4th Quarter, 2016-17 and similarly the spectrum charges of ₹ 121.52 crores payable from 1st Quarter of F.Y. 2014-15 to 4th Quarter 2016-17 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 still has to take on record the adjustment made by MTNL. The matter was also placed before the Board of MTNL in 301st meeting of the Board at item no.14/301 on 09.10.2014 and the board while noting the adjustment is as per Cabinet decision also desired that management has to follow up with the Government for implementation of Cabinet decision. In such situation the remote chances of coercive action such as levy of penalty and interest cannot be ruled out and will remain a threat for the company includes forcing MTNL to pay the above amounts with interest and penalty.

Besides TRAI regulations, The new Companies Act 2013 and SEBI's Listing Obligation & disclosure requirement-2015 (LODR), Implementation of Ind AS & ICFR made the compliance very elaborate and strict and also increased the compliance cost of the company. Further implementation of GST w e f 01-07-2017 will also be additional cost burden for MTNL to revamp the existing IT, Billing & Accounting software in compliance to GST requirement. The risk of imposing heavy penalties as well as risk of debarring from the exchanges for non-compliance or delay in compliance which needs to be taken care of by proper training to the work force of MTNL to gear up fully for compliance requirements and meeting out the same effectively.

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

Under our articles of association, the President of India, on behalf of the Indian government, may also issue directives with respect to the conduct of our business and affairs, and certain matters with respect to our business, including the appointment and remuneration of our Chairman-and-Managing Director and the declaration of dividends. None of our shareholders, management or board of directors may take action in respect of any matter reserved for the President of India without his approval. Many procedures inherited from Governmental Set up, 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 regulators checks through various reports as well TRAI metering & billing audit audits and there are huge penalties for non compliances

Although MTNL is meeting most of TRAI QoS parameters, however network needs immediate up-gradation / expansion. The Capex is continuously declining over the period. Investment of ₹ 2000-2500 Cr. required over next 2-3 years for up-gradation and expansion. However being in a debt trap of ₹ 19510 Cr as on 31.03.2017 (includes ₹ 4533.97 Crore of the Bonds, the liability for interest and principle of which are with Govt of India), it is a great challenge for the company to meet the Capex as well as Opex requirement.

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 poses a big challenge for any operator. MTNL is also facing difficulty in getting maintenance support from various manufacturers of 2G/3G network equipments. The expiry date of 2G Spectrum allotted is also approaching its due date, i.e. 05-04-2019.

3.1.1. Further, the VAS equipment vendors are also one by one withdrawing their supports from Delhi & Mumbai networks. In addition to 2G /3G networks, the DWDM equipment vendor has also withdrawn its support and NGCN/MPLS servers & routers are also running without any support from their respective OEMs.

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

Moreover, the 2G/3G technology lack in the speed as well volume as far as data is concerned, when compared to 4G/5G technologies. The obsolescence of the Cellular technology available with MTNL poses severe risk of meeting the competition in the Data-Rich Ecosystem in ever changing technological dynamics.

3.2: Following immediate technological Up-gradation/Expansion needed 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 (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 Expansion/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, MTNL need additional Node-Bs both in Delhi and Mumbai. In current year action for Upgradation/Expansion in Delhi and Upgradation in Mumbai is in progress. The packet core capacity (Data handling capacity of network) will be upgraded from existing capacity of 400 Mbps (Delhi) and 1.8 Gbps (Mumbai) to 10 Gbps in both cities (Action is underway).
- iii. **Service Delivery:*** By Deployment / Up gradation of existing Billing & CRM Platform & IT infrastructure. Introduction of state of the art Paperless-Cashless system for Provisioning of the services, Billing and Payment.
- 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 compliant 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 ₹ 2000-2500 Cr. required over next 2-3 years for above up-gradation and expansion. However being in a debts trap, it is a great challenge 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 handling of customer complaint. Network of MTNL is also required to be strengthened to further improve the quality of service.



MTNL's TDM fixed line switches are becoming obsolete as their induction started around 20 years back and currently having difficulties in its day to day maintenance. Vendors of two technologies have already withdrawn their maintenance contract citing obsolescence of the technology. Therefore these technologies need to be replaced progressively during the current five year plan with the state of art NGN / IMS switches. Further the new technology will also help launching a number of value added services on fixed lines at par with wireless technologies which are very vital for its survival and revenue increase since landline revenue got stagnated over the last 3-4 years.

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

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

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

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

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

b) Utilization of manpower resources:

MTNL has huge legacy staff strength inherited from DoT. Presently MTNL has around 27919 working employees as compared to 62000 in the year 1997-98. There has been some reduction in staff because of three V R Schemes and normal attrition. However, MTNL still have large manpower and the staff cost absorbs a very high percentage of the revenue. Large Manpower is a major risk which the Company faces as it has little flexibility to address the problem and this cost in case of other operators range from 5 to 7% where as it is more than 92% of Revenue from operation presently as on in case of MTNL.

Even though the employees cost was reduced from 120% of revenue to 65% of revenue in the year 2013-14 because of pension liability taken over by Govt of India, but still the staff legacy cost is on increasing trend and reached to @ 92% of Revenue from operations as on 31.03.2017, which is on very high side as compared to industry benchmark which is from 5 to 7%. More efforts need to be made to reduce the staff by offering VRS or CRS. Natural attrition because of retirements is also leading to reduction in staff. A proposal seeking salary support for 20% of staff expected to take VRS (i.e appx. 5312 no. of employees of various grades) has been submitted to DOT /Govt on the basis of recommendations of GOM. MTNL Board also approved the proposal for implementation of the Policy "Periodical Review Mechanism in MTNL to ensure Probity and Efficacy amongst the Employees" to bring administrative efficiency, which is based on FR56(j), FR56(l) or Rule 48 of CCS Pension Rules, 1948.

Regular training programmes should be organised to keep the staff updated/intact with recent development related to the company. The legacy staffs with an average age of 54 years on one hand and the lack of human resources with marketing and technological expertise to compete in the market on the other hand is a constant risk in marketing the products of MTNL as well as in rendering the products/services with better quality of service.

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

5. FINANCIAL/LIQUIDITY/DEBTS MANAGEMENT RISK:

The present leverage position may result into liquidity crunch in near future which may hamper the capital development programme and operations:-

- ♦ **Debt:** To meet fund requirement for opex, capex and spectrum company has borrowed ₹ 14976 Cr excluding ₹ 4534 Cr pertaining to DoT liability from banks up to 31.03.2017. There is no operating margin to cover the interest payment. This could lead to a serious debt trap affecting the capability of the Company either to raise further loans or to service the debts and interest costs.
- ♦ **Debts Management:** the debt management of the company is itself a challenge. As on 31.03.2017 company has total debts of ₹ 14976 Cr excluding ₹ 4534 Cr pertaining to DoT liability from bank and financial institutions, payment of interest as well as repayment of principal is challenge for MTNL unless Govt/DOT support for mitigating 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 threat to the company.
- ♦ Debt serving/interest serving ratio of the company as on 31-03-2017 is negative and is on decreasing trend year on year basis. Similarly debt equity ratio is also negative as on 31-03-2017.
- ♦ Possibility of Leakage of revenue should properly be rested through better billing software and its audit at regular intervals by establishing a proper internal control system. Revenue Assurance management already working in MTNL required to be more strengthened.
- ♦ Proper cost benefit analysis required to be done before making any capital expenditure or launching new services.

6. Ongoing Concern Risk:

Due to continuous loss in MTNL and implementation of Ind AS w e f 01-04-2016 which required lot of re-statement of assets and liabilities to be done in opening RE as on 01-04-2015, there is a erosion of net worth, Net worth of MTNL is negative as on 31/03/2017 and debts service as well as interes6t service coverage ratio is also negative. Because of high leverage and heavy repayment schedule of loans as well as interest payment to Banks & 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.

Accordingly, management needs to make an assessment of an entity's ability to continue as an ongoing concern taking into account various steps and facts and recommendations of GOM constituted earlier for revival of MTNL/BSNL and decisions taken thereof by Govt. to some of the proposals which resulted into resolution of pensionary liabilities and BWA spectrum refund. Further, financial support of ₹ 492 Cr & ₹ 456 Cr against refund of MAT & taking back of CDMA spectrum by Govt respectively had also been received and synergy of business between MTNL and BSNL and other proposals viz. VRS for 20% of existing strength with Govt support, Sovereign Guarantee for ₹ 5500 Cr towards raising of NCDS and monetization of MTNL assets etc. for financial assistance lying with DOT/GOVT would bring the eroded net worth to positive net worth again. Accordingly, the accounts are prepared on going concern basis.

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 will lead to effective Compliance.

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.

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 equipments are running since 2006 and almost outlived its life. The major challenges are non availability of source code, lack of support of various licenses due to prohibitive cost etc. Such constraints pose challenges in implementation/feasibility of development as per the dynamic market conditions. BEL, the project implementer has already pulled out of the project in July'2014, but MTNL has already roped in another firm for maintenance support only.
- (iv) **Obsolete Hardware infrastructure** – Many of the hardware for providing core services and providing supportive/workflow processes including Call Centers have become obsolete and need to be replaced due to EOSL and non-availability of spares e.g. the hardware for CSMS, ISP set up, EPS/CBCRM etc.
- (v) **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.

- (vi) **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.

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 has to be implemented keeping in view the anticipated risk of data as well as other information loss. Besides the IT Policy considering all the risks including disaster management and also the Information Security Management Systems needs to be implemented and also reviewed annually to mitigate the risk of data loss, cyber attacks. Hence proper back up arrangements as well as disaster recovery mechanism and the association with international Ethical Hacking centers etc. are to be put in place.

10. Greater transparency and entity level ethical & governance risk:

Policy under corporate governance is already framed to monitor the ethical levels of all the concerned officers at managerial level and a declaration under the code of conduct expected of the company officers is also taken from all G.M. Level officers that the integrity and core values of transparency are adhered to by them in all their official dealings and the dealings are done consciously with full care and applying due diligence. In addition to ensure this at all levels, proper vigilance mechanism and whistle Blower policy is already kept in place.

ANNUAL ACCOUNTS

2016-17



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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, 2017, 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 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 Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 3729.78 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. 65 to the Standalone IND AS financial statements).*
- (ii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 7263.61 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. 70 to the Standalone IND AS financial statements).*
- (iii) 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. 59 to the Standalone IND AS financial statements).*
- (iv) The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and 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).*
- (v) Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to 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. 72 to the Standalone IND AS financial statements).*
- (vi) Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Standalone IND AS financial statements are not ascertainable and quantifiable. (Also refer, note no. 67 to the Standalone IND AS financial statements).*
- (vii) 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. I (ii) of note no. 3 to the Standalone IND AS financial statements).*

- (viii) (a) *In Delhi Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on Standalone IND AS financial statements cannot be ascertained and quantified at present. (Also refer point no. (a) of note no. 66 to the Standalone IND AS financial statements).*
- (b) *Unlinked credit of ₹36.91 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 other current liabilities are overstated. (Also refer point no. (c) of note no. 66 and 77 to the Standalone IND AS financial statements).*
- (ix) *In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH; invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the Standalone IND AS financial statements cannot be ascertained and quantified. (Also refer note no. 68 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. 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. 58 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), (iv), (v), (vi), (vii), (viii)(a), (ix), (x), (xi), and (xii) on the Standalone IND AS financial statements of the Company for the year ended on 31st March 2017.

We further state that without considering the impact of items stated in preceding para, the effect of which could not be determined, had the observations made by us in point nos (iii) and (viii)(b) been considered in the Standalone IND AS financial statements, loss for the year would have been ₹ 3081.44 Crores as against the reported figure of ₹ 2941.08

Crores in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹454.67 Crores as against the reported figure of ₹ 491.58 Crores, Other Financial Liabilities would have been ₹1362.25 Crores as against the reported figure of ₹1258.80 Crores in the Balance Sheet.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the Standalone 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, 2017 and its losses (financial performance including other comprehensive income) and 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) Note no. 79 to the Standalone IND AS financial statements regarding non provision of diminution in the value of investments in joint ventures/subsidiary as these diminutions are considered temporary in nature.
- (ii) Note no. 62 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. 64 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 receivables. (Also refer note no. 15 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 Schedule III of the Companies Act, 2013 has not been made by the Company in the Standalone IND AS financial statements.
- (vii) The Standalone IND AS financial statements of the Company reflect that net worth of the Company has virtually eroded; The Company has incurred net cash loss during the current year as well as in the previous year and the current liabilities exceeded the current assets substantially. All these conditions indicate the existence of material uncertainty that may cast significant doubts about the Company's ability to continue as a going concern. However, the Standalone IND AS financial statements of the Company have been prepared on a going concern basis for the reasons stated in the note no. 78 to the Standalone IND AS financial statements.

Other Matters

The comparative financial information of the Company for the transition date opening balance sheet as at 01st April, 2015 included in these Standalone IND AS financial statements, are based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standard) Rules, 2006 audited by predecessor auditor whose report for the year ended 31st March, 2015 dated 30th May, 2015 expressed qualified opinion on those

standalone financial statements, as adjusted for the differences in accounting principles adopted by the Company on transition to the Indian Accounting Standard (IND AS), which have been audited by us.

Our opinion is not modified in respect of this matter.

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), (iv), (v), (vi), (vii), (viii)(a), (ix), (x), (xi), and (xii) 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. (iii), (iv), (v), (x), (xi) and (xii) 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 – 16 regarding Property, Plant and Equipment , 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 under any law or accounting standards on long terms contracts. Also the Company is not dealing into derivatives contracts. Refer Note no. 76 to the Standalone IND AS financial statements.



- iii. There has been no delay in transferring any amount to the Investor, Education and Protection Fund during the year. Refer Note No. 75 to the Standalone IND AS financial statements.
- iv. The Company has provided requisite disclosures in the Standalone IND AS financial statements as to holding as well as dealings in specified Bank Notes during the period from 08th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representations, we report that the disclosures are in accordance with books of accounts maintained by the Company and as produced to us by the management. Refer point no. (iv) of Note No. 16 to the Standalone IND AS financial statements.

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

(NITISH KUMAR CHUGH)
PARTNER
Membership No.: 512742

(ROOPA GARG)
PARTNER
Membership No.: 500677

PLACE : NEW DELHI
DATED : May 30, 2017

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, 2017.

- (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 unit (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai unit are not updated and reconciled with the financial records. Also identification numbers are not mentioned in respect of most of the items. The corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.
- (b) As per the accounting policy of the company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, Electrical Appliances, Furniture and Fixtures, Lines & Wires and Computers were physically verified in accordance with programme of verification by the management during the year and no material discrepancies were noticed on such verification.
- (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	16
-Gross Block	0.06	₹ 3.13
Lease Hold Land		
-Total Number of Cases	89*	6
-Gross Block	219.53	₹ 3.45
-Net Block	156.46	₹ 2.44
Building		
-Total Number of Cases	53**	NIL
-Gross Block	32.37	NIL
-Net Block	4.92	NIL

* 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.

- (ii) In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except Sub-stores of Basic Unit Delhi, Store of WS Unit Delhi, ANC Area Stores of West – 1 Unit Mumbai, during the year. Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.
- (iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Thus, paragraph 3(iii) of the Order is not applicable

- (iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus, paragraph 3(iv) of the Order is not applicable
- (v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed 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 2016-17.
- (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 material statutory dues were in arrears as at 31 March 2017 for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, there are no dues of income tax, sales tax, 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::

Delhi Unit

i. Sales Tax

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

ii. Service Tax

Name of the Statute	Amount (₹ in Crores) (Net)	Period	Forum where the dispute is pending
Finance Act, 1994	8.45	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	Forum where the dispute is pending
Building and other Construction Workers Welfare Cess Act, 1996.	9.73	1996 to 2001	Deputy Labor Commissioner

Mumbai Basic Unit

i. Income Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Year to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	0.02	2000-01	Commissioner of Income Tax
Income Tax Act, 1961	0.64	2001-02	Commissioner of Income Tax
Income Tax Act, 1961	0.05	2002-03	Commissioner of Income Tax
Income Tax Act, 1961	0.28	2003-04	Commissioner of Income Tax
Income Tax Act, 1961	0.03	2006-07	Commissioner of Income Tax
Income Tax Act, 1961	0.01	2007-08	Commissioner of Income Tax
Total	1.03		

ii. Sales Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Year 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
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
Total	695.70		

iii. Luxury Tax

Name of the Statute	Amount (₹ in Crores) (Net)	Year 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

Name of the Statute	Amount (₹ in Crores) (Net)	Year to which amount relates	Forum where the dispute is pending
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
Total	3.45		

iv. Service Tax:

Name of the Statute	Amount (₹ in Crores) (Net)	Year to which amount relates	Forum where the dispute is pending
Finance Act, 1994	0.20	2004-05	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	2.44	2006-14	Custom Excise and Service Tax Appellate Tribunal
Total	2.64		

Mumbai MS Unit

Central Excise:

Name of the Statute	Amount (₹ in Crores) (Net)	Year to Which Amount Relates	Forum where the dispute is pending
Central Excise Act, 1944	0.58	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	4.75	2005-06	Commissioner of Central Excise
Total	6.29		

- (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 has been 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 2017 *except for the following case:*

Nature of Fraud	Amount (₹ in Crores)	Remarks
Misappropriation of cable store item in Transmission Unit	₹ 1.076	FIR Lodged

- (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.
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FOR KUMAR VIJAY GUPTA & CO.
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Firm Registration No.: 007814N

(NITISH KUMAR CHUGH)
PARTNER
Membership No.: 512742

(ROOPA GARG)
PARTNER
Membership No.: 500677

PLACE : NEW DELHI
DATED : May 30, 2017

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 2017.

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 2016-17 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

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

Sr. No.	Areas Examined	Observation / Finding								
1	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	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 16 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 6 cases of land properties spread across Mumbai and classified as Leasehold.								
2	Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.	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>25.87</td></tr><tr><td>Waiver of penalty & interest</td><td>0.00</td></tr><tr><td>TOTAL</td><td>25.87</td></tr></table>	Particulars	(₹ in Crores)	Write off of debts Due to non recoverability	25.87	Waiver of penalty & interest	0.00	TOTAL	25.87
Particulars	(₹ in Crores)									
Write off of debts Due to non recoverability	25.87									
Waiver of penalty & interest	0.00									
TOTAL	25.87									



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.

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PLACE : NEW DELHI
DATED : May 30, 2017

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 2017 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, 2017:

- (i) *The company did 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.*
- (i) *The company did 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. This could potentially result into under capitalization and corresponding impact on the operational results due to lower charge of depreciation.*
- (ii) *The company did not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors/contractors at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.*
- (iii) *The company did not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.*
- (iv) *The company did not have an appropriate internal control system for reconciliation of vendor/contractor accounts which could potentially result in some changes in the Standalone IND AS financial statements.*
- (v) *The company did not have effective internal audit system so as to cover all major areas with extensive scope. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.*

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, 2017, 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, 2017 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.
CHARTERED ACCOUNTANTS
Firm Registration No.: 000517N**

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

**(NITISH KUMAR CHUGH)
PARTNER
Membership No.: 512742**

**(ROOPA GARG)
PARTNER
Membership No.: 500677**

**PLACE : NEW DELHI
DATED : May 30, 2017**



MAHANAGAR TELEPHONE NIGAM LIMITED
BALANCE SHEET AS AT 31ST MARCH, 2017

	Notes	31 March 2017 (₹ in crores)	31 March 2016 (₹ in crores)	01 April 2015 (₹ in crores)
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,808.32	5,321.00	5,811.92
Capital work-in-progress	5	291.34	136.87	204.57
Investment property	6	46.52	39.59	39.38
Other intangible assets	7	3,776.69	4,117.00	4,455.48
Financial assets				
Investments	8	141.98	141.98	161.98
Loans	9	2,683.72	3,858.80	3,959.33
Other financial assets	10	10.55	0.36	7.80
Non-current tax assets (net)	11	649.05	817.04	787.32
Other non-current assets	12	321.37	1,033.39	1,415.55
Total non-current assets		12,729.54	15,466.03	16,843.33
Current assets				
Inventories	13	15.07	29.74	31.51
Financial assets				
Current investments	14	-	-	20.00
Trade receivables	15	491.58	492.01	465.86
Cash and cash equivalents	16	87.00	154.03	69.85
Other bank balances	17	0.60	8.63	0.94
Loans	18	2,811.87	957.77	168.65
Other financial assets	19	843.72	783.62	844.80
Other current assets	20	683.52	751.59	820.04
		4,933.36	3,177.39	2,421.65
Assets held for sale	21	0.06	0.65	0.51
Total assets		17,662.96	18,644.07	19,265.49
EQUITY AND LIABILITIES				
Equity				
Equity share capital	22	630.00	630.00	630.00
Other equity	23	(3,996.70)	(1,026.13)	927.24
Total equity		(3,366.70)	(396.13)	1,557.24
Non-current liabilities				
Financial liabilities				
Borrowings	24	7,011.31	4,562.97	5,512.62
Other financial liabilities	25	2,050.61	2,034.15	1,898.50
Long-term provisions	26	1,159.18	1,196.28	1,263.28
Other non-current liabilities	27	227.83	257.86	292.55
Total non-current liabilities		10,448.93	8,051.26	8,966.95
Current liabilities				
Financial Liabilities				
Borrowings	28	7,910.24	7,923.81	6,595.49
Trade payables	29	429.75	388.53	301.63
Other financial liabilities	30	1,258.80	1,895.05	1,209.60
Other current liabilities	31	683.64	509.21	463.01
Short term provisions	32	298.30	272.34	171.57
Total current liabilities		10,580.74	10,988.94	8,741.30
Total liabilities		21,029.66	19,040.20	17,708.25
Total equity and liabilities		17,662.96	18,644.07	19,265.49

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/-
(Nitish Kumar Chugh)
Partner
Membership No. 512742

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

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

Place : New Delhi
Date : 30 May 2017



MAHANAGAR TELEPHONE NIGAM LIMITED
Statement of Profit and Loss for the year ended 31 March 2017

		31 March 2017 (₹ in crores)	31 March 2016 (₹ in crores)
Continuing operations	Notes		
Revenue			
Revenue from operations	33	2,869.68	3,123.96
Other income	34	682.78	569.22
Total income		3,552.46	3,693.18
Expenses			
License fees expense	35	270.08	237.23
Employee benefit expense	36	2,647.81	2,639.32
Finance costs	37	1,448.47	1,351.34
Revenue sharing expense		227.78	227.40
Depreciation and amortisation expense	38	1,087.63	1,151.59
Other expenses	39	816.14	842.05
Total expenses		6,497.91	6,448.93
Loss before tax from continuing operations		(2,945.46)	(2,755.75)
Tax expense	40	(4.38)	(492.26)
Loss from continuing operations		(2,941.08)	(2,263.49)
Discontinued operations			
Profit from discontinued operations before and after tax		-	315.95
Profit from discontinued operations		-	315.95
Profit/(loss) for the year		(2,941.08)	(1,947.54)
Other comprehensive income	41		
A i) Items that will not be reclassified to profit and loss		(29.49)	(5.82)
ii) Income tax relating to items that will not be reclassified to profit or loss		-	-
B i) Items that will be reclassified to profit or loss		-	-
ii) Income tax relating to items that will be reclassified to profit or loss		-	-
Other comprehensive income/ (loss) for the year		(29.49)	(5.82)
Total comprehensive loss for the year		(2,970.57)	(1,953.36)
Loss is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(2,941.08)	(1,947.54)
		(2,941.08)	(1,947.54)
Total comprehensive loss is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		(2,970.57)	(1,953.36)
		(2,970.57)	(1,953.36)
Total comprehensive income/ (loss) attributable to owners of Mahanagar Telephone Nigam Limited arises from :			
Continuing operations		(2,970.57)	(2,269.31)
Discontinued operations		-	315.95
		(2,970.57)	(1,953.36)
Loss per equity share for loss from continuing operations attributable to owners of Mahanagar Telephone Nigam Limited:	42		
Basic (₹)		(46.68)	(35.93)
Diluted (₹)		(46.68)	(35.93)
Earnings per equity share for profit from discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :	42		
Basic (₹)		-	5.02
Diluted (₹)		-	5.02
Loss per equity share for loss from continuing and discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :	42		
Basic (₹)		(46.68)	(30.91)
Diluted (₹)		(46.68)	(30.91)
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

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

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Membership No. 500677

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

Place : New Delhi
Date : 30 May 2017



MAHANAGAR TELEPHONE NIGAM LIMITED
Cash Flow Statement for the year ended 31 March 2017

	31 March 2017 (₹ in crores)	31 March 2016 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax		
Continuing operations	(2,945.46)	(2,755.75)
Discontinued operations	-	315.95
	(2,945.46)	(2,439.80)
Adjustments for:		
Depreciation expense	747.74	811.27
Amortisation expense	339.89	340.32
Loss on disposal of property, plant and equipment (net)	4.80	4.60
Interest income	(401.90)	(266.51)
Excess provisions written back	(45.94)	(58.72)
Provision for doubtful debts including discount	36.30	48.76
Provision for obsolete inventory	1.89	1.13
Provision for doubtful claims	20.63	1.37
Provision for doubtful recovery of investment	-	40.00
Remeasurement gains and loss on employee benefit obligations	(29.49)	(5.82)
Finance costs	1,418.67	1,321.54
Bad debts written off	34.12	34.12
Operating profit before working capital changes	(818.74)	(167.76)
Movement in working capital		
Decrease in loans	(690.78)	(678.86)
Decrease in inventories	12.78	0.64
Increase in other financial assets	(60.10)	61.18
Increase in other assets	780.09	450.61
Decrease in trade and other receivables	(70.00)	(109.04)
Decrease in other financial liabilities	(596.45)	814.35
Decrease in other liabilities	144.40	11.51
Decrease in trade and other payables	76.02	179.39
Cash flow from operating activities post working capital changes	(1,222.78)	562.02
Income tax refunds (net)	172.37	462.54
Net cash flow from operating activities (A)	(1,050.41)	1,024.56
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment and investment property (including capital work-in-progress) (net of sale proceeds)	(401.27)	(257.46)
Purchase of intangible assets	0.42	(1.84)
Proceeds from assets held for sale (net)	0.58	(0.14)
Movement in fixed deposits (net)	(2.17)	(0.24)
Interest received	393.05	255.41
Net cash flows used in investing activities (B)	(9.39)	(4.27)
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment from long-term borrowings (net)	2,448.33	(949.65)
Proceeds and repayment of short-term borrowings (net)	(13.56)	1,328.32
Finance cost paid	(1,442.01)	(1,314.78)
Net cash used in financing activities (C)	992.76	(936.11)
Increase in cash and cash equivalents (A+B+C)	(67.03)	84.18
Cash and cash equivalents at the beginning of the year	154.03	69.85
Cash and cash equivalents at the end of the year	87.00	154.03

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)
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Membership No. 500677

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

Place : New Delhi
Date : 30 May 2017

MAHANAGAR TELEPHONE NIGAM LIMITED
Statement of changes in equity for the year ended 31 March 2017



A Equity share capital

Particulars	₹ in crores)		
	Balance as at 01 April 2015	Redemption of equity share capital during the year	Balance as at 31 March 2016
Equity Share Capital	630.00	-	630.00

Particulars	₹ in crores)		
	Balance as at 01 April 2016	Redemption of equity share capital during the year	Balance as at 31 March 2017
Equity Share Capital	630.00	-	630.00

B Other equity

	Reserves and surplus						Other comprehensive income - Reserve	
	Capital Reserve	Securities Premium Reserve	General reserve	Research & Development reserve	Contingency reserve	Debturture redemption reserve	Retained Earnings	Total
Balance as at 01 April 2015	-	665.00	-	30.80	345.72	45.27	(159.55)	927.24
Profit for the year	-	-	-	-	-	-	(1,947.55)	(1,947.55)
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	(5.82)
Balance as at 31 March 2016	-	665.00	-	30.80	345.72	45.27	(2,107.10)	(1,026.13)
Profit for the year	-	-	-	-	-	-	(2,941.08)	(2,941.08)
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	(29.49)
Transfer from/to retained earnings	-	-	-	-	(102.49)	-	102.49	-
Balance as at 31 March 2017	-	665.00	-	30.80	243.22	45.27	(4,945.69)	(3,996.70)

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.

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

Note 1 : 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 MTNL has applied certain accounting policies and exemptions upon transition to Ind AS.

b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the MTNL 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.

- 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.
- 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.
- For sale of prepaid products, processing fee on recharge coupons is recognized over the customer relationship period or coupon validity period, whichever is lower.
- 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.
- 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.
- 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 MTNL pays fixed contributions into an independent fund administered by the government. The MTNL has no legal or constructive obligations to pay further contributions after its payment of the fixed contribution. MTNL'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 MTNL 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 MTNL. The MTNL'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 MTNL.

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 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 200AH capacity	4
2. UPS/Battery more than 200AH capacity	7
3. ADSL, VDSL & MES CPES	5
4. Subscribers telephone instruments	5

For **Office Equipments** 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 MTNL 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 MTNL 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

MTNL 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 MTNL obtains ownership of the asset at the end of the lease term. Where the MTNL 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.

MTNL as a lessor

Operating leases

Leases in which the MTNL 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 MTNL 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 MTNL) 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 MTNL'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 MTNL 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 MTNL 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 MTNL's financial statements, all assets, liabilities and transactions of the MTNL entities with functional currency other than the Indian Rupee are translated into Indian Rupee upon consolidation. The functional currency of the entities in the MTNL 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 MTNL 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 MTNL 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.

MTNL'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 – 50% provision is made 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 MTNL 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 MTNLeD 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 MTNL 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 MTNL'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 MTNL 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 MTNL 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 recognized in the consolidated statement of comprehensive income concurrent to the expenses to which such grants relate/ are intended to cover.

Where the MTNL 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) 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.

MAHANAGAR TELEPHONE NIGAM LIMITED **Notes to the Standalone Financial Statements for the year ended 31 March 2017**

4. PROPERTY, PLANT AND EQUIPMENT

4. PROPERTY, PLANT AND EQUIPMENT														
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 2015*	18.75	357.28	1,745.62	6.53	152.57	7,631.83	9,786.54	27.04	152.68	35.91	151.59	308.84	8.43	20,383.61
Additions	-	-	76.45	-	7.94	78.70	310.08	0.27	1.19	0.13	0.19	1.67	32.79	509.39
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(0.14)	(0.14)
Adjustments	(0.02)	(0.22)	(2.63)	-	0.24	2.21	(334.27)	(0.03)	(0.00)	(0.11)	(0.15)	(0.79)	(35.91)	(371.70)
Disposals	-	-	-	-	-	-	-	(0.24)	(0.01)	(0.00)	(0.00)	-	-	(0.25)
As at 31 March 2016	18.73	357.06	1,819.43	6.53	160.76	7,712.73	9,762.35	27.04	153.85	35.92	151.63	309.71	5.16	20,520.91
Additions	-	1.92	23.00	-	7.09	34.87	153.96	0.27	0.10	1.73	0.18	1.26	0.83	225.21
Adjustments	(0.01)	1.69	(8.68)	-	(7.38)	(7.90)	(87.52)	(1.93)	(0.01)	(0.13)	(0.05)	(0.32)	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	25.38	153.94	37.52	151.76	310.65	48.38	20,675.81
Accumulated depreciation														
As at 01 April 2015*	-	59.02	754.28	1.59	85.15	6,042.79	7,038.73	24.68	133.56	33.81	132.04	266.05	-	14,571.69
Charge for the year	-	3.68	96.65	0.14	5.11	183.52	495.07	0.30	4.26	0.28	3.43	17.18	-	809.63
Impairment loss	-	-	-	-	-	-	(24.28)	-	-	-	-	-	-	(24.28)
Adjustments	-	-	(8.15)	-	(0.01)	0.82	(146.27)	(0.20)	0.55	(0.11)	(0.10)	(3.66)	-	(157.12)
As at 31 March 2016	-	62.70	842.79	1.73	90.25	6,227.13	7,363.25	24.78	139.37	33.98	135.37	279.56	-	15,199.91
Charge for the year	-	3.79	82.51	0.14	5.36	165.98	466.65	0.31	3.47	1.69	2.72	13.39	-	746.00
Adjustments	-	-	(90.03)	-	(1.87)	(27.96)	(48.96)	(1.58)	(0.01)	(0.07)	0.01	(0.05)	-	(170.52)
Impairment loss	-	(0.74)	94.51	-	-	-	(1.67)	-	-	-	-	-	-	92.10
As at 31 March 2017	-	65.75	929.78	1.87	93.75	6,365.15	7,779.26	23.50	141.83	35.59	138.10	292.90	-	15,867.49
Net block as at 01 April 2015*	18.75	298.26	991.34	4.94	67.42	1,589.04	2,747.81	2.36	19.12	2.11	19.55	42.79	8.43	5,811.92
Net block as at 31 March 2016	18.73	294.35	976.65	4.80	70.50	1,485.60	2,399.11	2.26	15.48	1.95	16.26	30.15	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	1.87	12.12	1.93	13.65	17.75	48.38	4,808.32

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

(i) Contractual obligations

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

(ii) Capitalised borrowing cost

The borrowing costs capitalised during the year ended 31 March 2017 was ₹ 0.09 crores (31 March 2016 ₹ Nil).

(iii) Finance leases

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

(iv) Others

(a) 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.

(b) Depreciation on the assets of continuing operations is ₹ 746.00 crores (for the year ended 31 March 2016: ₹ 809.63 crores) and for discontinuing operations is ₹ nil (for the year ended 31 March 2016: ₹ 12.34 crores).

(c) Depreciation of ₹ 49.09 crores on account of componentisation of property, plant and equipment, whose useful life is already exhausted before 01 April 2015, has been adjusted against retained earnings on transition date.

5. CAPITAL WORK-IN-PROGRESS

	(₹ in crores)		
	31 March 2017	31 March 2016	01 April 2015
Buildings	9.60	4.28	3.78
Apparatus & plants	145.38	21.50	48.09
Lines & wires	1.46	3.05	3.16
Cables	50.92	52.75	61.25
Subscriber's installations	22.17	15.26	27.52
Air conditioning plants	10.37	5.97	1.42
Others	86.13	74.53	108.85
	326.03	177.35	254.06
Less: provision for :			
Abandoned work	(2.86)	(2.86)	(4.33)
Others	(31.83)	(37.62)	(45.17)
	291.34	136.87	204.57

Movement in capital work in progress:

	(₹ in crores)
Particulars	Amount
Capital work-in-progress as at 01 April 2015	204.57
Add: additions during the year	357.32
Less: capitalisation during the year	(431.11)
Less: Provision for abandoned work	6.09
Capital work-in-progress as at 31 March 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

6. INVESTMENT PROPERTY

(₹ in crores)

Description	Gross block			Accumulated depreciation			Net block	
	01 April 2015*	Additions	Disposals/ Adjustments	31 March 2016	01 April 2015*	Additions	31 March 2016	01 April 2015*
Freehold land	0.30	0.02	-	0.32	-	-	0.32	0.30
Leasehold land	7.89	0.22	-	8.11	1.57	0.16	6.38	6.32
Buildings	50.61	2.93	-	53.53	17.84	2.81	32.88	32.77
Total	58.80	3.17	-	61.97	19.42	2.97	39.59	39.38

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

Description	Gross block			Accumulated depreciation			Net block	
	01 April 2016	Additions	Disposals/ Adjustments	31 March 2017	01 April 2016	Additions	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	7.75	6.38
Buildings	53.53	8.90	-	62.43	20.65	1.62	38.44	32.88
Total	61.97	11.12	-	73.09	22.38	1.74	46.52	39.59

(₹ in crores)

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

(₹ in crores)

	31 March 2017	31 March 2016
Rental income	145.78	98.06
Direct operating expenses that generated rental income*	-	-
Direct operating expenses that did not generate rental income*	-	-
Profit from leasing of investment properties	145.78	98.06

*Direct operating expenses attributable to investment properties 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 2017	31 March 2016	01 April 2015
Fair value	1,844.22	1,533.50	1,240.52

The Company reviews the fair values annually. The best evidence of fair value is circle rates (based on local Stamp Acts) at which government (or other bodies representing the government) sell such properties in an active market. This is considered to be representative of the fair value of properties as at reporting date.

7. OTHER INTANGIBLE ASSETS

(₹ in crores)

	Softwares	One time spectrum fees	Total
Gross carrying value			
At 01 April 2015*	131.37	6,564.00	6,695.37
Additions	1.84	-	1.84
Disposals/adjustments	-	-	-
Balance as at 31 March 2016	133.21	6,564.00	6,697.21
Additions	-	-	-
Disposals/adjustments	-	-	-
Balance as at 31 March 2017	133.21	6,564.00	6,697.21
Accumulated amortisation			
At 01 April 2015*	58.29	2,181.60	2,239.89
Amortisation charge for the year	12.12	328.20	340.32
Adjustments for the year	-	-	-
Balance as at 31 March 2016	70.41	2,509.80	2,580.21
Charge for the year	11.69	328.20	339.89
Adjustments for the year	-	0.42	0.42
Balance as at 31 March 2017	82.11	2,838.41	2,920.52
Net book value as at 01 April 2015*	73.08	4,382.40	4,455.48
Net book value as at 31 March 2016	62.80	4,054.20	4,117.00
Net book value as at 31 March 2017	51.10	3,725.59	3,776.69

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

8. NON-CURRENT INVESTMENTS

(₹ in crores)

	Number of shares			Amount		
	31 March 2017	31 March 2016	01 April 2015	31 March 2017	31 March 2016	01 April 2015
In equity instruments						
In subsidiaries (unquoted)^						
Millenium Telecom Limited (face value ₹ 10 each fully paid up)	2,875,880	2,875,880	2,875,880	2.88	2.88	2.88
Mahanagar Telephone Mauritius Limited	572,264,029	572,264,029	572,264,029	100.97	100.97	100.97
Sub total (A)				103.85	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	2,282,000	2.28	2.28	2.28
Sub total (B)				2.28	2.28	2.28
In Associates (unquoted)^						
United Telecom Limited (face value of Nepali ₹ 100 (₹ 62.50) each fully paid up)	5,736,200	5,736,200	5,736,200	35.85	35.85	35.85
Sub total (C)				35.85	35.85	35.85
In preference shares (₹ 100 each fully paid up)						
In others (unquoted)						
8.75% unquoted preference shares in M/s. ITI Ltd*	10,000,000	10,000,000	10,000,000	-	-	20.00
Sub total (D)				-	-	20.00
Total non-current investments (A+B+C+D)				141.98	141.98	161.98
Aggregate amount of unquoted investments				141.98	141.98	161.98

*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 60 for further details.

^Investments in subsidiaries, associates and joint venture are stated at cost using the exemption provided as per Ind AS 27 'Separate Financial Statements'

9. LOANS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Secured, considered good			
Loan to employees	31.94	49.59	65.72
Unsecured, considered good			
Security deposits with other departments	115.50	122.96	22.53
Receivable from DoT	1,885.38	1,933.40	1,880.80
Receivable from BSNL	650.91	1,752.84	1,990.29
Unsecured, considered doubtful			
Security deposits with other departments	8.99	9.23	5.33
Receivable from DoT	1.39	1.39	1.39
Receivable from BSNL	6.22	6.22	6.22
	2,700.32	3,875.63	3,972.28
Less: Allowance for doubtful loans	(16.60)	(16.83)	(12.95)
	2,683.72	3,858.80	3,959.33

(a) 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.

(b) 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

(c) For details on settlement of receivable from BSNL, refer note 65

(d) For details on settlement of receivable from DOT, refer note 70

10. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Bank deposits with more than 12 months maturity*	10.55	0.36	7.80
	10.55	0.36	7.80

(i) ₹ 7.34 crores (31 March 2016 - ₹ Nil and 01 April 2015 - ₹ 8.22) 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.

11. TAX ASSETS (NET)

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Advance income tax (net of provision)	649.05	817.04	787.32
	649.05	817.04	787.32

12. OTHER NON-CURRENT ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Capital advances	1.57	1.57	1.58
Advance against future settlements towards DoT	295.12	970.17	1,321.38
Balances with statutory authorities	4.84	1.75	4.99
Prepaid expenses	19.83	59.90	87.59
	321.37	1,033.39	1,415.55

13. INVENTORIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
(Valued at cost, unless otherwise stated)			
Exchange equipments	26.46	29.88	31.36
Telephones & telex instruments	-	-	-
Mobile handsets & sim cards	2.38	2.51	2.77
WLL equipments	0.08	-	0.08
Telephones & telex spares	0.09	0.10	0.10
Goods in transit	1.65	-	-
	30.66	32.49	34.31
Less : Provision for obsolete stores	(15.59)	(2.75)	(2.80)
	15.07	29.74	31.51

14. CURRENT INVESTMENTS

(₹ in crores)

	Number of shares			Amount		
	31 March 2017	31 March 2016	01 April 2015	31 March 2017	31 March 2016	01 April 2015
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	1,00,00,000	100.00	100.00	80.00
Less : Provision for doubtful investments				(100.00)	(100.00)	(60.00)
				-	-	20.00
Total current investments						
Aggregate amount of unquoted investments				100.00	100.00	80.00
Aggregate amount of impairment in value of investments				100.00	100.00	60.00

*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 60 for further details.

15. TRADE RECEIVABLES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Trade receivables			
- Unsecured, considered good	391.53	373.11	333.15
- Unsecured, considered doubtful	782.18	723.14	703.23
Unbilled receivables	165.23	187.38	195.35
	1,338.94	1,283.63	1,231.73
Less: Allowance for doubtful debts			
Unsecured considered good (expected credit loss)	(65.18)	(68.47)	(62.64)
Unsecured considered doubtful	(781.81)	(722.49)	(702.78)
Provision for wrong billing	(0.37)	(0.65)	(0.45)
	491.58	492.01	465.86

(i) Trade receivables have been pledged as security for liabilities, for details refer note 52.

(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 amounting to ₹ 563.31 crores (31 March 2016 - ₹ 566.50 crores and 01 April 2015 - ₹ 580.26 crores) which are under reconciliation.

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

16. CASH AND CASH EQUIVALENTS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Balances with banks in current accounts	77.26	145.54	67.05
Cheques, drafts on hand	1.55	1.43	2.75
Cash on hand	0.32	0.41	1.18
	79.13	147.37	70.98
Less: Provision for doubtful bank balances	(0.56)	(1.13)	(1.13)
	78.57	146.24	69.85
Fixed deposits with original maturity of less than three months	8.42	7.79	-
	87.00	154.03	69.85

(i) ₹ 7.39 crores (31 March 2016 - ₹ 7.79 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) There are no repatriation restrictions with respect to cash and bank balances as at the end of the reporting period and prior periods.

(iii) For the purpose of cash flows, cash and cash equivalents comprise the following:

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Cash on hand	0.32	0.41	1.18
Cheques in hand	1.55	1.43	2.75
Balances with banks in current accounts	77.26	145.54	67.05
Fixed deposits with original maturity of less than three months	8.42	7.79	-
	79.13	147.37	70.98

(iv) Disclosure regarding Specified Bank Notes (SBN) as per MCA notification dated 30th March 2017 :

(₹ in crores)

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	0.32	0.19	0.50
(+) Permitted receipts	31.49	21.78	53.27
(-) Permitted payments	(0.00)	(0.75)	(0.76)
(-) Amount deposited in Banks	(31.80)	(21.06)	(52.86)
Closing cash in hand as on 30 December 2016	-	0.16	0.16

17. OTHER BANK BALANCES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Fixed deposits maturity for more than 3 months but less than 12 months	0.60	8.63	0.94
	0.60	8.63	0.94

(i) ₹ 0.50 crores (31 March 2016 - ₹ 9.43 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) There are no repatriation restrictions with respect to cash and bank balances as at the end of the reporting period and prior periods.

18. LOANS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Secured, considered good			
Loan to employees	21.98	24.68	30.78
Unsecured, considered good	-	-	-
Loan to employees	1.34	53.70	1.93
Security deposits with other departments	22.62	22.23	22.12
Receivable from related parties	0.47	3.35	-
Receivable from BSNL	2,765.45	853.81	113.82
Unsecured, considered doubtful			
Loan to employees	0.01	0.01	0.01
	2,811.88	957.78	168.66
Less: Allowance for doubtful loans	(0.01)	(0.01)	(0.01)
	2,811.87	957.77	168.65

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

19. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Amount recoverable			
IUC operators	262.85	224.30	281.33
Others	693.92	660.19	659.88
	956.77	884.49	941.21
Less: provision for doubtful receivables	(113.05)	(100.88)	(96.42)
	843.72	783.62	844.80

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

20. OTHER CURRENT ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Advances to suppliers	26.65	27.45	27.59
Advance against future settlements towards DoT	431.77	432.80	388.13
Balances with statutory authorities	145.59	118.98	114.39
Prepaid expenses	78.11	66.29	56.40
Other recoverables	1.40	106.06	233.53
	683.52	751.59	820.04

21. ASSETS HELD FOR SALE

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Assets held for sale	0.06	0.65	0.51
	0.06	0.65	0.51

Management is already in the process to sale switches and BTS-batteries originally acquired for GSM Services in Mumbai. There are several interested parties and the sale is expected to be completed before the end of Financial Year 2017-18. A tender was floated for auction of the asset held for sale, which failed due to technical reasons. Another tender is under process for auction of the asset. The asset is presented within total assets of WS Service-Mumbai segment.

Non-recurring fair value measurements

Asset classified as held for sale during the reporting period 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. This is Level 3 measurement as per fair value hierarchy set out in fair value measurement disclosure (Note 43).

22. EQUITY SHARE CAPITAL

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Authorised capital			
800,000,000 (previous year 800,000,000) equity shares of ₹ 10 each	800.00	800.00	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	630.00	630.00

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

	31 March 2017		31 March 2016	
	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. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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 2017		As on 31 March 2016	
	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

23. OTHER EQUITY

(₹ in crores)

	31 March 2017	31 March 2016
Statement of profit and loss		
As per last balance sheet	(2,107.10)	(159.55)
Add : Net profit for the year	(2,941.08)	(1,947.55)
Less : Appropriations		
Transferred from contingency reserve	102.49	-
Total appropriations	102.49	-
Net surplus/(deficit) in statement of profit and loss	(4,945.69)	(2,107.10)

Other reserve

General reserve

As per last balance sheet	-	-
Amount transferred from statement of profit and loss	-	-
	-	-

	31 March 2016	01 April 2015
Debenture redemption reserve		
As per last balance sheet	45.27	45.27
Appropriations during the year	-	-
	<u>45.27</u>	<u>45.27</u>
Contingency reserve		
As per last balance sheet	345.72	345.72
Movement	(102.49)	-
	<u>243.22</u>	<u>345.72</u>
Other comprehensive income reserve		
As per last balance sheet	(5.82)	-
Foreign currency translation	-	-
Remeasurements of employee benefit obligations	(29.49)	(5.82)
	<u>(35.32)</u>	<u>(5.82)</u>
Securities premium account		
As per last balance sheet	665.00	665.00
Add: Shares issued by the subsidiary companies	-	-
	<u>665.00</u>	<u>665.00</u>
Research and development reserve		
As per last balance sheet	30.80	30.80
Movement	-	-
	<u>30.80</u>	<u>30.80</u>
	<u>948.98</u>	<u>1,080.97</u>

Nature and purpose of other reserves

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.

Other Comprehensive Income(OCI) reserve

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

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.

Capital reserve

Capital reserve is created out of the profit earned from some specific transactions of capital nature. Capital reserve is not available for the distribution to the shareholders.

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.

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.

24. BORROWINGS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Secured			
Term loans (Net of current maturities)			
From banks	3,992.98	1,545.00	2,495.00
(Secured by floating first pari passu charge on all fixed and current assets)			
Long-term maturities of finance lease obligations			
Obligations under finance leases	40.57	40.56	40.56
	4,033.55	1,585.56	2,535.56
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(d) 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(d) 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(d) 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(d) 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(d) below]			
Debentures - Series 2A	1,973.51	1,973.29	1,973.07
[19,750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]			
Debentures - Series 1A	1,004.25	1,004.12	1,003.99
[10,050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]			
	2,977.76	2,977.41	2,977.06
	7,011.31	4,562.97	5,512.62
Amount disclosed under other financial liabilities:			
Current maturities of long-term debt	275.00	950.00	-
Current maturities of finance lease obligations	4.64	4.64	4.63
Interest accrued	70.08	93.41	86.63

Notes:

- (a) No loans have been guaranteed by the directors and others.
- (b) There is no default as on the balance sheet date in the repayment of borrowings and interest thereon.
- (c) Repayment terms and security disclosure for the outstanding long-term borrowings (including current maturities)

(i) 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 installments 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 installments spread on:- From March 2019 to December 2020 - ₹ 25 Crores/quarter (8 installments) From March 2021 to December 2021, ₹ 50 Crores/quarter (4 installments) From March 2022 to December 2023 - ₹ 75 Crores/quarter (8 installments)"	8.34%
Union Bank of India	1,675.00	"Repayable due in 20 installments spread on:- From March 2019 to December 2020, ₹ 41.875 Crore/quarter (8 installments) From March 2021 to December 2021, ₹ 83.75 Crores/quarter (4 installments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 installments)"	8.50%
Andhra Bank	850.00	"Repayment due in 20 installments spread on:- From June 2019 to March 2021 - ₹ 21.25 Crores/quarter (8 installments) From June 2021 to March 2022 - ₹ 42.50 Crores/quarter (4 installments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 installments)"	8.65%
Corporation Bank	250.00	"Repayment due in 20 installments spread on:- From March 2019 to December 2020 - ₹ 6.25 Crores/quarter (8 installments) From March 2021 to December 2021 - ₹ 12.50 Crores/quarter (4 installments) From June 2022 to March 2024 - ₹ 63.75 Crores/quarter (8 installments)"	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 installment 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.

(ii) AS ON 31 MARCH 2016:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
IDBI Bank	2,000.00	"Repayable in 3 installments spread on:- June 2017 - ₹ 350 Crores September 2017 - ₹ 350 Crores December 2017 - ₹ 350 Crores"	10.41%
Indian Overseas Bank	495.00	"Repayable in 4 installments spread on:- July 2017 - ₹ 125 Crores January 2018 - ₹ 150 Crores July 2018 - ₹ 150 Crores January 2019 - ₹ 70 Crores"	10.38%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	-		
Less: Current maturities of long term debt	(950.00)		
Long term borrowings	1,545.00		

***Debentures-Series 1A**

Refer details in the above note (c)(i)

***Debentures-Series 2A**

Refer details in the above note (c)(i)

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.

(ii) AS ON 31 MARCH 2015:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
IDBI Bank	2,000.00	Repayable in 6 installments spread over from September 2016 to December 2017	11.35%
Indian Overseas Bank	495.00	"Repayable in 4 installments spread on:- July 2017 - ₹ 125 Crores January 2018 - ₹ 150 Crores July 2018 - ₹ 150 Crores January 2019 - ₹ 70 Crores"	11.24%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	-		
Less: Current maturities of long term debt	-		
Long term borrowings	2,495.00		

***Debentures-Series 1A**

Refer details in the above note (c)(i)

***Debentures-Series 2A**

Refer details in the above note (c)(i)

Rate of interest- The Company's entities total borrowings from banks and others have a effective weighted average rate of 11.42% per annum calculated using the interest rate effective as on 31 March 2015.

(d) 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.

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

25. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	Non-current 31 March 2017	Non-current 31 March 2016	Non-current 01 April 2015
Security deposits	160.39	122.94	140.54
Employee related payables - GPF of MTNL Optee	1,890.23	1,911.21	1,757.96
	2,050.61	2,034.15	1,898.50

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

26. LONG-TERM PROVISIONS

(₹ in crores)

	Non-current 31 March 2017	Non-current 31 March 2016	Non-current 01 April 2015
Provision for employee benefits			
Provision for leave encashment	957.17	943.60	914.01
Provision for pension	168.09	229.78	304.20
Provision for gratuity	21.95	12.24	35.48
Provision for asset retirement obligations	11.97	10.66	9.58
	1,159.18	1,196.28	1,263.28

(i) Information about individual provisions and significant estimates

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.

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 2017	31 March 2016
As at beginning of reporting period	10.66	9.58
Additions during the year	0.32	0.00
Amounts used during the year	(0.19)	-
Unused amounts reversed during the year		
Increase in the discounted amount arising from the passage of time and effect of any change in discount rate	1.17	1.08
As at end of reporting period	11.97	10.66

27. OTHER NON-CURRENT LIABILITIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Deferred income	202.49	229.24	261.93
Deferred activation/ installation charges	25.33	28.62	30.62
	227.83	257.86	292.55

28. SHORT-TERM BORROWINGS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Unsecured			
From banks			
Cash credit from banks	6,010.24	6,438.81	4,295.49
Short term loans	1,900.00	1,485.00	2,300.00
	7,910.24	7,923.81	6,595.49

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

29. TRADE PAYABLES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Trade payables	399.31	353.18	251.46
Other accrued liabilities	30.44	35.35	50.17
	429.75	388.53	301.63

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

30. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Current maturities of			
- Long-term debt	275.00	950.00	-
- Finance lease obligations	4.64	4.64	4.63
Interest accrued			
- Not due on bonds	60.33	60.67	60.33
- Due on borrowings	-	17.36	22.75
- Not due on borrowings	9.75	15.38	3.56
- Not due on deposits	0.10	0.11	0.13
Security deposits	161.36	223.69	191.21
Due to employees	191.60	121.61	225.66
Amount Payable to contractors other than goods & Services	411.66	358.91	256.24
Amount Payable to other operators	25.94	49.92	124.69
Other Payables	118.42	92.77	320.41
	1,258.80	1,895.05	1,209.60

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

31. OTHER CURRENT LIABILITIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Advances received	401.47	237.73	183.85
Statutory dues	27.20	232.74	238.33
Deferred income	246.82	28.57	29.20
Deferred activation/ installation charges	8.15	10.17	11.63
	683.64	509.21	463.01

32. SHORT-TERM PROVISIONS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Provision for employee benefits			
Provision for leave encashment - Company employees	159.93	147.46	124.42
Provision for leave encashment - Others	0.33	0.18	0.96
Provision for pension - Company employees	106.05	98.52	34.54
Provision for pension - Others	0.33	0.10	0.72
Provision for gratuity - Company employees	31.66	26.08	10.72
Provision - others			
Provision for wealth tax	-	-	0.22
	298.30	272.34	171.57

	31 March 2017	31 March 2016	01 April 2015
(i) Movement in provision related to wealth tax during the financial year:			
	Provision for wealth tax		
As at 01 April 2015			0.22
Additions during the year			-
Amounts used during the year			(0.22)
As at 31 March 2016			-
As at 01 April 2016			-
Additions during the year			-
Amounts used during the year			-
As at 31 March 2017			-
(ii) For Disclosures required related to provision for employee benefits, refer note 46 - Employee benefit obligations.			

33. REVENUE FROM OPERATIONS

	(₹ in crores)	
	31 March 2017	31 March 2016
Fixed Telephone income		
Revenue - Telephone calls and other charges	381.42	454.38
Revenue - Fixed telephone monthly charges	556.01	570.56
Revenue - Telephone (Franchise services)	20.41	24.35
Revenue - Access calls and other charges	9.70	45.41
Revenue - Rent and junction charges	39.27	48.30
Revenue - Broadband	760.37	859.88
Revenue - ISDN call charges	33.85	37.56
Revenue - ISDN call rental	49.46	48.09
Enterprise business		
Revenue - Local circuits	304.50	323.89
Revenue - Long distance circuits	52.85	18.31
Mobile revenue		
Revenue - Activation charges	0.64	0.29
Revenue - Mobile rental and call charges	168.91	197.32
Revenue - Income from roaming	17.94	(14.51)
Revenue - Prepaid trump	111.78	137.03
Revenue - IUC income	184.14	236.05
Revenue - VAS	70.87	60.59
Others		
Revenue - Free phone services	69.16	48.48
Revenue - Internet	17.65	14.87
Revenue - Premium rate services	0.19	0.27
Other operating revenues		
Other operating revenues - Surcharge on delayed payment	12.33	12.82
Other operating revenues - Revenue from enterprise business	8.23	-
	2,869.68	3,123.96

34. OTHER INCOME

(₹ in crores)

	31 March 2017	31 March 2016
Interest on :		
Interest from bank	1.95	1.83
Interest on advance to employees	6.23	8.31
Other interest income	300.38	252.69
Interest on income tax refund	93.34	3.68
	401.90	266.51
Other income		
Sale of directories, pub. etc.	0.11	0.13
Profit/loss on sale of property, plant and equipment	1.24	0.01
Income from liquidated damages	6.95	8.80
Exchange variation (Net)	(0.12)	-
Bad debts recovered	0.13	0.14
Credit balances written back	45.94	58.72
Rental on quarters/ hostels etc.	17.59	17.23
Rental income from properties	189.33	136.97
Miscellaneous income	19.72	80.70
	280.88	302.71
	682.78	569.22

35. LICENSE FEES EXPENSE

(₹ in crores)

	31 March 2017	31 March 2016
License fees expenses	228.95	202.97
Spectrum charges	41.13	34.26
	270.08	237.23

36. EMPLOYEE BENEFIT EXPENSE*

(₹ in crores)

	31 March 2017	31 March 2016
Salaries, wages allowances & other benefits	2,374.86	2,395.96
Bonus/ex-gratia	0.01	(0.00)
Medical expenses and allowances	90.49	86.60
Pension contribution		
(a) Company employees	116.70	123.01
(a) Others	1.36	0.92
Leave encashment		
(a) Company employees	146.31	167.27
(a) Others	0.94	0.54
Contribution to gratuity fund	12.00	(5.67)
Contribution to provident & other funds	67.49	66.25
Staff welfare expenses	0.57	0.34
	2,810.75	2,835.22
Less : Allocation to capital/CWIP	(162.93)	(195.90)
	2,647.81	2,639.32

Notes:

(a) *net of capitalisation

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

37. FINANCE COSTS*

(₹ in crores)

	31 March 2017	31 March 2016
Interest on		
- term loans	242.54	300.18
- cash credit facility	677.16	502.06
- short-term loan facility	156.83	232.84
- bonds	276.13	272.08
- customer deposits	13.33	0.38
- others	52.68	14.01
Other finance costs		
- commitment fees	29.80	29.80
	1,448.47	1,351.34

* Net of capitalisation

38. DEPRECIATION AND AMORTISATION EXPENSE**

(₹ in crores)

	31 March 2017	31 March 2016
Depreciation on		
Property, plant and equipment	746.00	809.63
Investment properties	1.74	1.65
Amortisation on		
Intangible assets	339.89	340.32
	1,087.63	1,151.59

** Net of capitalisation

39. OTHER EXPENSES

(₹ in crores)

	31 March 2017	31 March 2016
Power, fuel & water	258.83	290.81
Rent	88.47	82.73
Repairs to buildings	31.30	20.57
Repairs to machinery	132.93	118.96
Repairs others	34.68	30.90
Insurance	5.46	5.20
Rates and taxes	65.24	56.53
Travelling & conveyance	0.60	0.53
Postage, telegram & telephones	8.46	9.08
Printing & stationery	6.29	6.98
Vehicle maintenance expenses	0.65	0.71
Vehicle running expenses	1.50	1.88
Vehicle hiring expenses	9.49	8.35
Advertisement & promotional expenses	2.35	1.76
Bad debts written off	26.83	34.12
Legal & Professional expenses	4.62	4.11
Seminar and training charges	1.16	2.68
Security service expenses	25.18	26.58
Miscellaneous expenses	40.47	40.99
Loss on sale of assets	6.05	4.61
Internet charges	14.81	16.86
Commission	16.99	20.96
Net loss on foreign currency transactions and translations	0.05	0.09
Provision for doubtful debts including discount	36.30	48.76
Provision for obsolete inventory	1.89	1.13
Provision for doubtful claims	20.63	1.37
Provision for doubtful recovery of investment	-	40.00
Allocation to CWIP	(25.07)	(35.21)
	816.14	842.05

40. TAX EXPENSE

(₹ in crores)

	31 March 2017	31 March 2016
Current tax (including taxes earlier years)	(4.38)	(492.26)
	<u>(4.38)</u>	<u>(492.26)</u>

The major components of income tax expense and the reconciliation of expense based on the domestic effective tax rate of at 30.90% and the reported tax expense in profit or loss are as follows:

	31 March 2017	31 March 2016
Accounting profit before income tax	(2,941.08)	(1,947.54)
At country's statutory income tax rate of 34.608% (31 March 2016: 34.608%)	(1,017.85)	(674.00)
Adjustments in respect of taxes earlier years	(4.31)	(492.11)
Difference in property, plant and equipment as per books and Income Tax Act, 1961	146.03	127.45
Non-deductible expenses for tax purposes	58.54	105.14
Employee benefits allowed on payment basis	8.77	66.37
Others	0.80	0.96
Deferred tax not created on unabsorbed losses*	808.02	866.19
	<u>-</u>	<u>-</u>

(i) MTNL has unabsorbed depreciation and brought forward business losses amounting to ₹ 11,116.94 crores as on 31 March 2017 against which such losses may be set off. Hence, 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, 2014 (as amended).

41. OTHER COMPREHENSIVE INCOME

(₹ in crores)

	31 March 2017	31 March 2016
(A) Items that will not be reclassified to profit or loss		
Re-measurement gains (losses) on defined benefit plans	(29.49)	(5.82)
Income tax effect	-	-
(B) Items that will be reclassified to profit or loss		
	<u>(29.49)</u>	<u>(5.82)</u>

42. EARNINGS/ (LOSS) 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 2017	31 March 2016
Net loss attributable to equity shareholders		
Continuing operations	(2,941.08)	(2,263.49)
Discontinued operation	-	315.95
Net Loss attributable to equity holders of the Company	<u>(2,941.08)</u>	<u>(1,947.54)</u>

Loss per equity share for loss from continuing operations attributable to owners of Mahanagar Telephone Nigam Limited :

Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	63,00,00,000	63,00,00,000
Basic and diluted loss per share (₹)	(46.68)	(35.93)

	(₹ in crores)	
	31 March 2017	31 March 2016
Earnings per equity share for profit from discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	63,00,00,000	63,00,00,000
Basic and diluted earnings per share (₹)	-	5.02
Loss per equity share for loss from continuing and discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :		
Nominal value of equity share (₹)	10.00	10.00
Weighted-average number of equity shares for basic and diluted EPS	63,00,00,000	63,00,00,000
Basic and diluted loss per share (₹)	(46.68)	(30.91)

43. FAIR VALUE DISCLOSURES

I Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are Companded 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

The Company does not have any financial instruments which are measured at Fair value either through statement of profit and loss or through other comprehensive income.

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 2017		31 March 2016		01 April 2015	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets							
Loans	Level 3	2,683.72	3,444.15	3,858.80	3,812.50	3,959.33	4,717.20
Total financial assets		2,683.72	3,444.15	3,858.80	3,812.50	3,959.33	4,717.20
Borrowings	Level 3	6,970.74	7,474.79	4,522.41	5,650.48	5,472.06	5,590.88
Finance lease obligations	Level 3	40.57	51.79	40.56	49.74	40.56	45.19
Other financial liabilities	Level 3	2,050.61	2,081.68	2,034.15	2,083.92	1,898.50	2,051.20
Total financial liabilities		9,061.92	9,608.26	6,597.12	7,784.14	7,411.11	7,687.28

The management assessed that cash and cash equivalents, trade receivables, other receivables, trade payables and other current financial liabilities 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 nonperformance risk as at 31 March 2016 was assessed to be insignificant.

44. FINANCIAL RISK MANAGEMENT

I Financial instruments by category

(₹ in crores)

Particulars	31 March 2017			31 March 2016			01 April 2015		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets									
Investments*	-	-	141.98	-	-	141.98	-	-	161.98
Loans	-	-	2,683.72	-	-	3,858.80	-	-	4,804.13
Other financial assets	-	-	854.28	-	-	783.97	-	-	7.80
Trade receivables	-	-	491.58	-	-	492.01	-	-	465.86
Cash and cash equivalents	-	-	87.00	-	-	154.03	-	-	69.85
Other bank balances	-	-	0.60	-	-	8.63	-	-	0.94
Loans	-	-	2,811.87	-	-	957.77	-	-	168.65
Total	-	-	7,071.03	-	-	6,397.20	-	-	5,679.21
Financial liabilities									
Borrowings	-	-	14,921.55	-	-	12,486.78	-	-	12,108.11
Trade payable	-	-	429.75	-	-	388.53	-	-	301.63
Other financial liabilities	-	-	3,309.41	-	-	3,929.20	-	-	3,108.09
Total	-	-	18,660.71	-	-	16,804.51	-	-	15,517.83

*Investment in equity instrument of joint ventures and associates have been accounted using equity method of accounting and hence, 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
Market risk - foreign exchange	Recognised financial assets and liabilities not denominated in Indian rupee (INR)	Cash flow forecasting	Forward contract/hedging, if required

Risk	Exposure arising from	Measurement	Management
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 2017	31 March 2016	01 April 2015
A: Low	Loans	5,495.59	4,816.57	4,127.98
	Investments	141.98	141.98	181.98
	Other financial assets	843.72	783.62	844.80
	Other bank balances	11.15	8.98	8.74
	Cash and cash equivalents	78.57	146.24	69.85
B: Medium	Trade receivables	491.58	492.01	465.86
D: Doubtful	Trade receivables	782.18	723.14	703.23
	Investments	100.00	100.00	60.00
	Loans	16.61	16.84	12.96
	Cash and cash equivalents	0.56	1.13	1.13

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 2017		31 March 2016		01 April 2015	
	Basic & other services	Cellular	Basic & other services	Cellular	Basic & other services	Cellular
Gross amount of trade receivables where no default (as defined above) has occurred	7,427.06	33.28	7,681.05	38.01	7,730.70	44.19
Expected loss rate	0.83%	10.86%	0.83%	12.50%	0.74%	13%
Expected credit loss(loss allowance provision)	61.56	3.62	63.72	4.75	56.87	5.77

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 2015	(765.87)
Add (Less): Changes in loss allowances due to Assets originated or purchased	(25.74)
Loss allowance on 31 March 2016	(791.61)
Add (Less): Changes in loss allowances due to Assets originated or purchased	(55.74)
Loss allowance on 31 March 2017	(847.35)

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 draw to apply consistently to entire population. For such financial assets, the Company's policy is to provide 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."

Maturities of financial liabilities

The tables below analyse the Company's financial liabilities into relevant maturity groupings 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 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	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

(₹ in crores)					
31 March 2016	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Non-derivatives					
Long term borrowings (including bonds)	1,362.97	2,010.38	360.80	3,340.80	7,074.95
Finance lease obligations	4.96	9.92	9.92	378.89	403.69
Short term borrowings	7,923.81	-	-	-	7,923.81
Trade payable	388.53	-	-	-	388.53
Other financial liabilities	1,258.80	-	-	2,392.26	3,651.06
Total	10,939.07	2,020.30	370.71	6,111.95	19,442.04

(₹ in crores)					
01 April 2015	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Non-derivatives					
Borrowings	7,044.04	2,978.23	592.49	3,521.19	14,135.95
Finance lease obligations	4.96	9.92	9.92	383.85	408.65
Short term borrowings	6,595.49	-	-	-	6,595.49
Trade payable	429.75	-	-	-	429.75
Other financial liabilities	1,258.80	-	-	2,229.46	3,488.26
Total	15,333.04	2,988.14	602.41	6,134.51	25,058.10

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 2017 USD	31 March 2016 USD	01 April 2015 USD
Financial assets	1.39	0.94	1.16
Financial liabilities	1.80	1.38	0.98
Net exposure to foreign currency risk (liabilities)	(0.41)	(0.44)	0.17

Sensitivity

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

(₹ in crores)		
Particulars	31 March 2017	31 March 2016
USD sensitivity		
INR/USD- increase by 500 bps (31 March 2016 500 bps)*	(0.02)	(0.02)
INR/USD- decrease by 500s bp (31 March 2016 500 bps)*	0.02	0.02

* Holding all other variables constant

(i) 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 2017 EURO	31 March 2016 EURO	01 April 2015 EURO
Financial assets	0.10	0.07	0.04
Financial liabilities	0.19	0.21	0.14
Net exposure to foreign currency risk (liabilities)	(0.09)	(0.14)	(0.10)

Sensitivity

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

(₹ in crores)		
Particulars	31 March 2017	31 March 2016
USD sensitivity		
INR/USD- increase by 500 bps (31 March 2016 500 bps)*	(0.00)	(0.01)
INR/USD- decrease by 500s bp (31 March 2016 500 bps)*	0.00	0.01

* Holding all other variables constant

b) Interest rate risk

Liabilities

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2017, the Company is exposed to changes in market interest rates through bank borrowings at variable interest rates. The Company's investments in Fixed Deposits all pay fixed interest rates.

Interest rate risk exposure

Below is the overall exposure of the Company to interest rate risk:

(₹ in crores)			
Particulars	31 March 2017	31 March 2016	01 April 2015
Variable rate borrowing	12,178.22	10,418.81	9,090.49
Fixed rate borrowing	2,977.76	2,977.41	2,977.06
Total borrowings	15,155.98	13,396.21	12,067.55

Sensitivity

Below is the sensitivity of profit or loss and equity changes in interest rates.

(₹ in crores)		
Particulars	31 March 2017	31 March 2016
'Interest sensitivity'		
Interest rates – increase by 50 bps basis points	20.81	11.36
Interest rates – decrease by 50 bps basis points	(20.81)	(11.36)

* 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 2017	31 March 2016	01 April 2015
Net debt	7,286.31	5,512.97	5,512.62
Total equity	(3,366.70)	(396)	1,557.24
'Net debt to equity ratio'	-	-	354.00%

The Company has not declared dividend in current year or previous year.

* Owing to equity being negative as at 31 March 2017 and 31 March 2016, debt to equity ratio has been shown as nil.

46. EMPLOYEE BENEFIT OBLIGATIONS

(₹ in crores)						
Particulars	31 March 2017		31 March 2016		01 April 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Gratuity	-	-	-	-	-	-
Compensated absences (unfunded)	159.93	957.17	147.46	943.60	124.42	914.01
Total	159.93	957.17	147.46	943.60	124.42	914.01

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 ₹ 19.36 crores (previous year - ₹ 20.28 crores). The weighted average duration of the defined benefit obligation as at 31 March 2017 is 7 to 8 years (31 March 2016: 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 2017	31 March 2016
Current service cost	20.28	20.37
Interest cost	27.22	25.89
Actuarial loss/(gain) recognised during the year	(29.49)	5.82
Expected return on planned assets	(63.83)	(64.46)
Amount recognised in the statement of profit and loss	(45.83)	(12.38)

(ii) **Movement in the liability recognised in the balance sheet is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016	01 April 2015
Present value of defined benefit obligation as at the start of the year	342.33	323.62	306.27
Current service cost	20.28	20.37	18.83
Interest cost	27.22	25.89	26.04
Actuarial loss/(gain) recognised during the year	32.06	6.07	(35.35)
Benefits paid	(41.17)	(33.62)	7.83
Present value of defined benefit obligation as at the start of the year	380.72	342.33	323.62

(iii) **Movement in the plan assets recognised in the balance sheet is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016	01 April 2015
Fair Value of plan assets at beginning of year	802.83	805.77	1,123.77
Expected Return on plan assets	63.83	64.46	89.90
Transfer To/from MTNL	(422.31)	(64.30)	(380.64)
Receivable from MTNL	13.17	-	-
Premium redemption reserve	2.72	(3.35)	(11.72)
Actuarial gain/(loss) on plan assets	2.56	0.25	(15.54)
Fair Value of plan Assets at the end of the year	462.80	802.83	805.77
Actual return on plan assets	66.39	64.71	25.60

(iv) **Breakup of actuarial (gain)/loss:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	11.27	0.84
Actuarial (gain)/loss on arising from experience adjustment	20.78	5.23
Total actuarial (gain)/loss	32.06	6.07

(v) **Actuarial assumptions**

(₹ in crores)

Description	31 March 2017	31 March 2016	01 April 2015
Discount rate	7.25%	7.95%	8.00%
Future Basic salary increase	3.50%	3.50%	3.50%
Future DA increase	3.55%	4.00%	4.00%
Expected rate of return on Plan Assets	11.11%	8.34%	8.00%

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 2017	31 March 2016	01 April 2015
Impact of the change in discount rate			
Present value of obligation at the end of the year	380.72	342.33	323.62
- Impact due to increase of 0.50 %	(8.77)	(8.18)	(7.70)
- Impact due to decrease of 0.50 %	9.24	8.61	8.11
Impact of the change in salary increase			
Present value of obligation at the end of the year	380.72	342.33	323.62
- Impact due to increase of 0.50 %	9.54	8.95	8.46
- Impact due to decrease of 0.50 %	(9.12)	(8.57)	(8.10)

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 prior period.

(vii) **Maturity profile of defined benefit obligation**

(₹ in crores)

Description	31 March 2017	31 March 2016
Within next 12 months	44.28	50.56
Between 1-5 years	163.07	201.98
Between 5-10 years	94.96	91.18
Beyond 10 years	40.01	37.00

B. Compensated absences (funded)

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.

(i) **Amount recognised in the statement of profit and loss is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Current service cost	40.82	64.60
Interest cost	86.74	83.07
Actuarial loss/(gain) recognised during the year	36.97	20.64
Amount recognised in the statement of profit and loss	164.53	168.31

(ii) **Movement in the liability recognised in the balance sheet is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Present value of defined benefit obligation as at the start of the year	1,091.05	1,038.43
Current service cost	40.82	64.60
Interest cost	86.74	83.07
Actuarial loss/(gain) recognised during the year	36.97	20.64
Benefits paid	(138.48)	(115.69)
Present value of defined benefit obligation as at the start of the year	1,117.10	1,091.05

(iii) **Movement in the plan assets recognised in the balance sheet is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Fair Value of plan assets at beginning of year	-	-
Expected Return on Plan Assets	17.05	-
Transfer To/from MTNL	428.91	-
Benefit Paid	-	-
Receivable from MTNL	-	-
Premium Redemption Reserve	-	-
Actuarial gain/(loss) on Plan Assets	1.14	-
Fair Value of Plan Assets at the end of the year	447.10	-
Actual return on plan assets	18.18	-

(iv) **Actuarial assumptions**

Description	31 March 2017	31 March 2016	01 April 2015
Discount rate	7.25%	-	-
Future Basic salary increase	3.50%	-	-
Future DA increase	3.55%	-	-
Expected rate of return on Plan Assets	8.48%	-	-

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.

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 2017	31 March 2016
Employer contribution to provident fund*	67.49	67.24
Leave encashment contribution for DoT employees**	0.94	0.54
Pension contribution for DoT employees***	1.36	0.92
Pension contribution for company employees****	116.70	123.03

* Mentioned as contribution to CPF ** Mentioned as leave encashment - Others *** Mentioned as pension contribution - Others **** Mentioned as pension contribution - Company employees

D. Category of investment in Gratuity trust and leave encashment:

(₹ in crores)						
Particulars	31 March 2017		31 March 2016		01 April 2015	
	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment
Government of India Securities	16.99	-	259.99	-	299.00	-
Corporate bonds	191.97	-	203.33	-	192.16	-
State government securities	204.49	-	305.38	-	278.80	-
Mutual funds	2.86	-	2.86	-	-	-
Others	46.49	-	31.27	-	35.81	-
LIC	-	447.09	-	-	-	-
Total	462.80	447.09	802.83	-	805.77	-

- E.** 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.
- F.** Mortality in service is assumed on the basis of LIC (1994-96) Ultimate table for mortality in service and LIC (1996-98) table.
- G.** 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 Company having substantial interest: nil

ii 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

iii Subsidiaries

Mahanagar Telephone (Mauritius) Limited ('MTML')

Millenium Telecom Limited

MTML International Limited (subsidiary of MTML)

MTML Data Limited (subsidiary of MTML)

iv Joint ventures

MTNL STPI IT Services Limited ('MSISL')

v Associates

United Telecommunications Limited ('UTL')

(vi) Summary of Significant transactions with related parties:

(₹ in crores)

Particulars	For the year ended	
	31 March 2017	31 March 2016
Remuneration to Key Managerial Personnel	1.42	1.07
Amount received from MTML	2.99	-
Amount paid from MTL	0.28	0.76
Services received from MTL	0.24	-
Claims made on MTL	0.10	-
Services rendered to MTML	0.02	0.04

(vii) **Summary of significant outstanding balances with related parties:**

(₹ in crores)						
Particulars	31 March 2017		31 March 2016		01 April 2015	
	MSISL	UTL	MSISL	UTL	MSISL	UTL
Loans	-	-	-	-	0.28	-
Share capital	2.28	35.85	2.28	35.85	2.28	35.85

48. DETAILS OF CONTINGENT LIABILITIES, PENDING LITIGATIONS AND OTHER MATTERS:

(₹ in crores)				
	Particulars	31 March 2017	31 March 2016	01 April 2015
a	Income Tax Demands disputed and under appeal ^	399.79	579.25	774.87
b	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	816.95	456.14	478.90
c	(i) Interest to DDA on delayed payments/pending court cases/Tax cases	Amount Indeterminate	Amount Indeterminate	Amount Indeterminate
	(ii) Stamp duty payable on land and buildings acquired by the company	Amount Presently Unascertainable	Amount Presently Unascertainable	Amount Presently Unascertainable
d	Claims against the company not acknowledged as Debts	3,205.71	3,227.18	3,227.18
e	Pending arbitration/court cases	2,305.13	1,495.69	1,113.43
f	Bank guarantee & Letter of Credit	118.27	118.14	110.60
g	Directory dispute	49.04	49.04	285.83
h	Pending court cases against land Acquisition	4.61	4.61	4.61
i	License Fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36	140.36	140.36
j	BTS related penalty imposed by DoT	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 2017	31 March 2016	01 April 2015
Property, plant and equipment	344.30	14.13	13.35

- 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 ₹ 88.47 crores (31 March 2016: ₹ 82.73 crores).

B. Finance leases – Assets given on lease

The Company has leased land under finance lease arrangements. As at 31 March 2017, the net carrying amount of the leasehold land was ₹ 294.92 crores (31 March 2016: ₹ 294.35 crores and 01 April 2015: ₹ 298.26 crores).

(₹ in crores)

	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
	31 March 2016			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	391.09	416.89
Finance charges	0.52	6.39	364.77	371.68
Net present values	4.64	14.25	26.32	45.21
	01 April 2015			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	396.25	422.05
Finance charges	0.52	6.39	369.94	376.85
Net present values	4.64	14.25	26.31	45.20

51. 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.

52. ASSETS PLEDGED AS SECURITY

(₹ in crores)

Particulars	31 March 2017	31 March 2016	01 April 2015
Current			
<i>Pari-passu charge</i>			
Current investments	-	-	20.00
Trade receivables	491.58	492.01	465.86
Cash and cash equivalents	87.00	154.03	69.85
Other bank balances	0.60	8.63	0.94
Loans	2,811.87	957.77	168.65
Other financial assets	843.72	783.62	844.80
Other currents assets	683.52	751.59	820.04
Total current assets pledged as security	4,918.29	3,147.65	2,390.14

Particulars	31 March 2017	31 March 2016	01 April 2015
Non-current			
<i>Pari-passu charge</i>			
Apparatus & plant	2,049.08	2,399.11	2,747.81
Vehicle	1.87	2.26	2.36
Furniture & fixtures	12.12	15.48	19.12
Office machinery & equipment	1.93	1.95	2.11
Electrical appliances	13.65	16.26	19.55
Computers	17.75	30.15	42.79
Total non-currents assets pledged as security	2,096.40	2,465.21	2,833.75
Total assets pledged as security	7,014.69	5,612.86	5,223.88

53. DISCLOSURE UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("MSMED ACT, 2006") IS AS UNDER:

(₹ in crores)

	Particulars	31 March 2017	31 March 2016	01 April 2015
(i)	<i>the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;</i>	Nil	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	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	Nil
(iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	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	Nil

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.

54A 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.

54B During the year the Company has made expenditure in foreign currency equivalent to ₹ 3.10 crores. Whereas earnings in foreign currency are ₹ 3.83 crores.

55 First time adoption of Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended

31 March 2016 and in the preparation of an opening Ind AS balance sheet at 01 April 2015 (the Company's date of transition). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A Ind AS optional exemptions

1 Deemed cost for property, plant and equipment and intangible assets

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

2 Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

The Company has elected to apply this exemption for such contracts/arrangements.

3 Foreign currency translation reserve

The Group has deemed the cumulative translation differences for foreign operations at the date of transition to be zero. Adjustments to give effect to this are recorded against opening equity. After the date of transition, translation differences arising on translation of foreign operations are recognised in other comprehensive income and included in a separate translation reserve within equity.

4 Arrangements containing lease

The Group has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease. No such assessment was done under previous GAAP.

5 Assets held for sale

The company has elected to measure non-current assets held for sale at the lower of carrying value and fair value less cost to sell at the date of transition and recognize directly in retained earnings any difference between that amount and the carrying amount of those assets at the date of transition.

6 Provision for decommissioning obligation

The Company shall account for the decommissioning, restoration or similar liabilities in the cost of the asset to which it related at the date of transition. The adjusted depreciable amount of the asset shall then be depreciated prospectively over its remaining useful life.

B Ind AS mandatory exemptions

1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 01 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for Impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under previous GAAP:

2 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess elements of modified time value of money i.e. the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. It is impracticable to apply the changes retrospectively if:

- a) The effects of the retrospective application or retrospective restatement are not determinable;
- b) The retrospective application or restatement requires assumptions about what management's intent would have been in that period;

The retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that existed at that time.

3 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

C Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

1. Reconciliation of total equity as at 31 March 2016 and 01 April 2015

	Notes	31 March 2016	01 April 2015
Total equity (shareholder's funds) as per previous GAAP		12.60	2,067.42
Impact of componentization of property, plant and equipment recognised in retained earnings		-	(49.09)
		12.60	2,018.33
Adjustments:			
(i) Measurement of financial assets and liabilities at amortised cost (including related impact on revenue/ employee cost/ other expenses)	Note-1	241.33	2.97
(ii) Adjustment of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 2	(68.47)	(62.64)
(iii) Adjustments in revenue for fair valuation of consideration over expected credit period (net of adjustment in license fees)	Note – 3	(720.48)	(635.21)
(iv) Adjustment of provision for decommissioning obligation at amortised cost (including impact on depreciation of adjustment in fixed assets)	Note – 4	(8.62)	(7.13)
	Notes	31 March 2016	01 April 2015
(v) Prior period adjustment for ascertained employee benefit liabilities and their measurement at present value	Note – 5	477.63	508.28
(vii) Other adjustments	Note – 6	(330.12)	(267.36)
Total adjustments		(408.73)	(461.10)
Total equity as per Ind AS		(396.13)	1,557.24

2. Reconciliation of total comprehensive income for the year ended 31 March 2016

	Notes	31 March 2016
Profit after tax as per previous GAAP		(2005.74)
Adjustments:		
(i) Measurement of financial assets and liabilities at amortised cost (including related impact on revenue/ employee cost/ other expenses)	Note-1	238.36
(ii) Adjustment of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 2	(5.83)
(iii) Adjustments in revenue for fair valuation of consideration over expected credit period (net of adjustment in license fees)	Note – 3	(85.27)
(iv) Adjustment of provision for decommissioning obligation at amortised cost (including impact on depreciation of adjustment in fixed assets)	Note – 4	(1.50)
(v) Adjustment for measurement of ascertained employee benefit liabilities at present value	Note – 5	(30.65)
(vii) Remeasurement of defined benefit obligations reclassified to Other comprehensive income (OCI)	Note – 7	5.82
(viii) Other adjustments	Note – 6	(62.76)
Total adjustments		58.20
Profit for the year ended 31 March 2016		(1,947.54)
Other comprehensive income		
Remeasurement of defined benefit obligations	Note – 7	(5.82)
Total comprehensive income for the year ended 31 March 2016		(1,953.36)

3. Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Indian GAAP and as per Ind AS as at 01 April 2015 is as follows:

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Non-current assets			
Property, plant and equipment	5,976.84	164.92	5,811.92
Capital work-in-progress	133.84	(70.73)	204.57
Investment property	-	(39.38)	39.38
Other intangible assets	4,455.48	-	4,455.48
Loans	8,873.32	4,913.98	3,959.33
Other financial assets	7.80	-	7.80
Non-current tax assets (net)	844.99	57.67	787.32
Other non-current assets	2,225.17	809.62	1,415.55
Total non-current assets	22,679.40	5,836.07	16,843.34
Current assets			
Inventories	96.13	64.63	31.51
Trade receivables	489.41	23.55	465.86
Cash and cash equivalents	69.85	-	69.85
Other bank balances	0.94	-	0.94
Loans	179.04	5.75	173.29
Other financial assets	840.16	-	840.16
Other current assets	425.56	(394.48)	820.04

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Assets held for sale	0.00	(0.51)	0.51
Total current assets	2,121.09	(301.06)	2,422.15
Total assets	24,800.49	5,535.01	19,265.49
EQUITY AND LIABILITIES			
Equity			
Equity share capital	630.00	-	630.00
Other equity	1,437.42	510.18	927.24
Total equity	2,067.42	510.18	1,557.24
Non-current liabilities			
Financial liabilities			
Borrowings	10,008.97	4,496.35	5,512.62
Other financial liabilities	2,182.26	283.76	1,898.50
Long-term provisions	1,757.22	493.94	1,263.28
Other non-current liabilities	-	(292.55)	292.55
Total non-current liabilities	13,948.44	4,981.50	8,966.95
Current liabilities			
Financial Liabilities			
Borrowings	6,595.43	(0.06)	6,595.49
Trade payables	263.87	(37.77)	301.64
Other financial liabilities	1,354.79	145.19	1,209.60
Other current liabilities	394.21	(68.79)	463.01
Short term provisions	176.33	4.76	171.57
Total current liabilities	8,784.63	43.33	8,741.30
Total liabilities	22,733.07	5,024.82	17,708.25
Total equity and liabilities	24,800.49	5,535.01	19,265.49

* These figures have been reclassified/re-grouped to conform the presentation in accordance with Indian Accounting Standards as notified by Ministry of Corporate Affairs under section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules 2015, as amended and other relevant provisions of the Act."

4. Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Indian GAAP and as per Ind AS as at 31 March 2016 is as follows:

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Non-current assets			
Property, plant and equipment	5,446.61	125.61	5,321.00
Capital work-in-progress	101.94	(34.93)	136.87
Investment property	-	(39.59)	39.59
Other intangible assets	4,117.00	-	4,117.00
Investments	141.98	-	141.98
Loans	9,362.08	5,503.28	3,858.80
Other financial assets	0.36	-	0.36
Non-current tax assets (net)	874.71	57.67	817.04

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Other non-current assets	1,893.47	860.08	1,033.39
Total non-current assets	21,938.14	6,472.12	15,466.02
Current assets			
Inventories	67.67	37.93	29.74
Trade receivables	527.07	35.06	492.01
Cash and cash equivalents	146.24	-	146.24
Other bank balances	16.41	-	16.41
Loans	238.72	(719.07)	957.79
Other financial assets	783.61	-	783.61
Other current assets	305.12	(446.47)	751.59
Assets held for sale	-	(0.65)	0.65
Total current assets	2,084.85	(1,093.20)	3,178.04
Total assets	24,022.99	5,378.92	18,644.07
EQUITY AND LIABILITIES			
Equity			
Equity share capital	630.00	-	630.00
Other equity	(617.40)	408.73	(1,026.13)
Total equity	12.60	408.73	(396.13)
Non-current liabilities			
Financial liabilities			
Borrowings	9,058.97	4,496.00	4,562.97
Other financial liabilities	2,298.16	264.01	2,034.15
Long-term provisions	1,720.49	524.21	1,196.28
Other non-current liabilities	-	(257.86)	257.86
Total non-current liabilities	13,077.62	5,026.36	8,051.26
Current liabilities			
Financial Liabilities			
Borrowings	7,923.74	(0.06)	7,923.81
Trade payables	346.71	(41.82)	388.53
Other financial liabilities	1,999.39	104.35	1,895.05
Other current liabilities	447.82	(61.40)	509.21
Short term provisions	215.10	(57.24)	272.34
Total current liabilities	10,932.77	(56.17)	10,988.94
Total liabilities	24,010.39	4,970.19	19,040.20
Total equity and liabilities	24,022.99	5,378.92	18,644.07

* These figures have been reclassified/re-grouped to conform the presentation in accordance with Indian Accounting Standards as notified by Ministry of Corporate Affairs under section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules 2015, as amended and other relevant provisions of the Act.

Note – 1

Amortised cost instrument

Under previous GAAP, all financial assets and financial liabilities were carried at cost.

Under Ind AS, certain financial assets and financial liabilities are subsequently measured at amortised cost which involves the application of effective interest method. In applying the effective interest method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability. For certain financial liabilities, the fair value of the financial liability at the date of transition to Ind AS has been considered as the new amortised cost of that financial liability at the date of transition to Ind AS.

The aforesaid adjustment has been made for following categories of financial assets and financial liabilities:

- (i) Security deposits received
- (ii) Security deposits paid
- (iii) Long term borrowings (including bonds issued)
- (iv) Employee loans
- (v) Other long term loans and receivables.

Note – 2

Expected credit loss

Under previous GAAP, provision for doubtful debts was recognised based on the estimates of the outcome and of the financial effect of contingencies determined by the judgement of the management of the Company. This judgement was based on consideration of information available up to the date on which the financial statements were approved and included a review of events occurring after the balance sheet date.

Under Ind AS, a loss allowance for expected credit losses is recognised on financial assets carried at amortised cost. Expected loss on individually significant receivables is assessed when they are past due and based on company's historical counterparty default rates and forecast of macro-economic factors. Other receivables have been segmented by reference to the industry 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.

Note – 3

Revenue recognition

Under previous GAAP, the amount of revenue was usually determined by agreement between the parties to the transaction.

Under Ind AS -

- (i) Where a Company received any upfront fees (like activation or installation charges) which relate to provision of services over the entire term of customer contract, then such upfront charges shall be deferred and recognised over the contract term or where no term is defined, then over the expected customer relationship period.
- (ii) Where the Group provides extended credit period to its customers and realisation of amount receivable is deferred, then the fair value of consideration may be lower than the cash consideration received or receivable. In such cases, when the arrangement effectively constitutes a financing transaction, then revenue shall be recognised by discounting all future receipts using an imputed rate of interest, i.e., rate that discounts future receipts to cash sales price or market rate of interest for instrument with similar terms.

Note – 4**Asset retirement obligation**

The Group hires space for installing towers in the wireless business segment. The Group is under obligation to restore the premises to their original condition upon vacation of such premises at the end of lease term. Such obligation for asset restoration is computed and adjusted in the cost of asset as explained above.

Under Ind AS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Decommissioning liability is measured at best estimate of cost required to settle the liability, discounted to its present value at the time when asset becomes ready to use, using pre tax discount rate that reflects market assessment of time value of money between date of capitalisation and time of settlement of such obligation. The adjustment made in fixed assets is depreciated over its expected useful life and interest recognised on corresponding provision using the aforementioned discount rate that accretes the provision to the amount expected to be settled in future.

Note – 5**Employee benefit obligations**

The Group ascertained its employee benefit obligations for gratuity and pension towards combined service pension optees. The estimate for such liability was revised based on information that was available at the time when such estimates were made prior to the transition date. Accordingly, this resulted in prior period adjustment for revision of the estimate.

Further, under Ind AS, such long term provisions are required to be recognised at their present value by discounting future expected cash flows to their present value using pre-tax discount rate for similar liabilities. The unwinding of interest cost on such provisions is recognised as finance cost on a periodical basis.

Note – 6**Other adjustments**

Other adjustments comprise of prior period adjustments amounting to ₹ 313.44 crores as at 31 March 2016 (31 March 2015: ₹ 257.23 crores) for transactions that were identified in the year ended 31 March 16 or 31 March 2017 but pertained to earlier periods and accordingly financial statements have been restated for such earlier periods.

Note – 7**Other comprehensive income**

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

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. As at 31st March 2016, the carrying amount of the assets of CDMA was ₹23.92 crore (₹82.59 crores) and its liabilities were ₹185.77 crores (₹129.30 crores).

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 March 2016 and 31 March 2017.

Particulars	31 March 2017	31 March 2016
Revenue	-	466.52
Expenses	-	(150.57)
Profit before income tax	-	315.95
Income tax expense	-	-
Profit after income tax	-	315.95
Gain on sale of assets after income tax for segment discontinued	-	-
Profit from discontinued operation	-	315.95
Exchange differences on translation of discontinued operations	-	-
Other comprehensive income from discontinued operations	-	315.95
Net cash inflow from operating activities	-	366.80
Net cash inflow (outflow) from investing activities	-	-
Net cash (outflow) from financing activities	-	38.53
Net increase in cash generated from discontinued operation	-	405.33

57 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.

58 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.

59 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.

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

Accordingly, five installments amounting to ₹ 20 crores each, aggregating to ₹ 100 crores have become redeemable, which have not been redeemed by ITI Limited. As per letter No.U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the above cumulative Preference Shares was deferred to 2012-13 onwards in five equal installments. The installments which were due in 2012-13 and 2013-14 have not been paid and necessary provision for the overdue installments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments made by M/S ITI and as funds will be made available after budget 2014-15 is passed and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7 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.

- 61 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.
- 62 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.
- 63 Useful life of assets revised in the year 2014-15. However due to computational error in respect of Electrical Installation and ₹ 89.66 crores has been effected in 2015-16 and ₹ 29.20 crores in 2016-17. Depreciation of ₹49.09 crores on account of assets/component of assets, whose useful life is already exhausted before 01 April 2015, has been adjusted against opening retained earnings.

64 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 favor of MTNL, Mumbai and on 31 July 2013 in favor of MTNL, Delhi. The claim and counter claim under arbitration will be accounted for in the year when the ultimate collection/payment of the same becomes reasonably certain.

M/s. M & N Publications has approached the Bombay & Delhi High Courts against the arbitration awards and MTNL also approached the Bombay & Delhi High Courts for balance amount due.

- 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.

65 Settlements with BSNL:

- a) The amount recoverable from BSNL is ₹ 5,671.54 crores (previous year ₹ 5,117.82 crore) and amount payable is ₹ 1,941.76 crores (previous year ₹ 2,019.43 crores). The net recoverable of ₹ 3,729.78 crores (previous year ₹ 3,098.39 crores) is subject to reconciliation and confirmation.
- b) Certain claims of BSNL on account of Signaling 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.

66 Subscribers' dues and deposits:

- a) The total balance in the subscribers' deposit accounts, in all the units, is to the tune of ₹ 321.75 crores (previous year ₹ 346.63 crores). Out of this, balance in Delhi Unit amounting ₹ 280.78 crores (previous year ₹ 283.87 crores) is under reconciliation.
- b) Interest Accrued and Due on the aforesaid subscriber deposit accounts to the tune of ₹ 0.10 crores (previous year ₹ 0.11 crores) is subject to reconciliation with the relevant subsidiary records in Delhi unit.
- c) Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹ 34.58 crores (previous year ₹ 13.79 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.
- 67** The amounts of receivables and payables (including NLD / ILD Roaming operators) are subject to confirmation and reconciliation.
- 68.** 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.
- 69.** In case of Mumbai Unit, the balances with non-scheduled banks comprise of:

(Amount in ₹)

	Particulars	31 March 2017	31 March 2016	01 April 2015
A	Patan Cooperative Bank Limited	-	27,634	27,634
	(account closed, considered doubtful)	-	(27,634)	(27,634)
B	Indira Sahakari Bank Limited	55,94,189	55,94,189	55,94,189
	(account closed, considered doubtful)	(55,94,189)	(55,94,189)	(55,94,189)
C	The Mogaveera Cooperative Bank Limited	-	35,445	35,445
	(account closed, considered doubtful)	-	(35,445)	(35,445)

70 Settlements with DOT:

- a) Amount recoverable on current account from DOT is ₹ 7,318.54 crores (previous year ₹ 8,109.09 crores) and amount payable is ₹ 54.93 crores (previous year ₹ 49.42 crores). The net recoverable of ₹ 7,263.61 crores (previous year ₹ 8,059.67 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 ₹ 1,091.05 crores up to 31 March 2017 (previous year ₹ 1,038.43 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 ₹ 1,775.54 crores (previous year ₹ 1,946.56 crores) towards GPF contribution is recoverable from DOT as on 31 March 2017. 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.
- 71 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.
- 72 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.
- 73 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.
- 74 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).
- 75 There is no delay in transferring amount, required to be transferred, to Investor Education and Protection Fund by the Company.
- 76 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.
- 77 The Bank Reconciliation Statements as at 31 March 2017 include unmatched/unlinked credits/debits amounting to ₹ 2.33 crore (previous ₹ 3.31 crore) and ₹ 1.04 crore (₹ 3.53 crore) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.
- 78 The Company has incurred a loss of ₹ 2,941.08 crores during the year under report. Although the net worth continues to be positive at the end of the year, considering the negative net worth resulted at the end of 3rd quarter of the year under report and also the positive net worth at the end of the year being not that tangible, the management has made an assessment of an entity's ability to continue as a going concern. The company has taken up a VRS proposal with the Govt., in the current financial year for voluntary retirement of around 5,312 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 November 1998 and also on 1 October 2000, which has been under active consideration of Govt. of India. On approval and implementation of the scheme, the company is likely to reduce the staff expenses which will help the company to reduce its costs and thereby losses. Besides, the Company has taken for monetization of the lands and buildings of the company which is



also under consideration of the Govt. In addition to this, the case for approval for sovereign guarantee cover of ₹ 5,500 crores has also been sent to the Government for the purpose of swapping of long term and short term loans by issuance of Govt. Guaranteed bonds. This debt restructuring would bring down the finance costs. All these cases are under consideration of the Govt. Besides, the CMTS License which was earlier valid up to 10 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.

79. The diminutions in value of investments in subsidiaries, associates and joint ventures are considered as temporary in nature.
80. The Company has reclassified certain items of assets and liabilities to comply with the requirements of Ind AS. This has no resulting impact on equity and net profit.

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/-
(Nitish Kumar Chugh)
Partner
Membership No. 512742

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

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

Place : New Delhi
Date : 30 May 2017



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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, which comprising of the Consolidated Balance Sheet as at March 31, 2017, 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 judgment and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the 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

- (i) *The Holding Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 3729.78 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. (Also refer point no. (a) of note no. 69 to the Consolidated IND AS financial statements).*
- (ii) *The Holding Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 7263.61 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. (Also refer point no. (a) of note no. 74 to the Consolidated IND AS financial statements).*
- (iii) *In respect of Holding Company, up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Holding Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹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).*
- (iv) *The Holding Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" specified 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. 38 and 41 to the Consolidated IND AS financial statements).*
- (v) *In respect of Holding Company, except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" specified under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Holding Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 76 to the Consolidated IND AS financial statements).*

- (vi) *In respect of Holding Company, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Consolidated IND AS financial statements is not ascertainable and quantifiable. (Also refer note no. 71 to the Consolidated IND AS financial statements).*
- (vii) *In respect of Holding Company, 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. (Also refer clause I (ii) of note no. 3 to the consolidated IND AS financial statements).*
- (viii) (a) *In respect of Holding Company (Delhi Unit), reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on the Consolidated IND AS financial statements cannot be ascertained and quantified at present. (Also refer point no. (a) of note no.70 to the Consolidated IND AS financial statements).*
- (b) *In respect of Holding Company, Unlinked Credit of ₹ 36.91 Crores on account of receipts from subscribers against billing by the Holding Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated. (Also refer point no. (c) of note no. 70 and 81 to the Consolidated IND AS financial statements).*
- (ix) *In respect of Holding Company, in the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Holding Company (Delhi Unit). Pending such reconciliation, the impact of the same on the Consolidated IND AS financial statements cannot be ascertained and quantified. (Also refer note no. 72 to the Consolidated IND AS financial statements).*
- (x) *In respect of Holding Company, Property, Plant and Equipment are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the consolidated statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalised in the Consolidated IND AS financial statements cannot be ascertained.*
- (xi) *In respect of Holding Company, Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated IND AS financial statements cannot be ascertained and quantified.*
- (xii) *In respect of Holding Company, Department of Telecommunication (DOT) had raised a demand of ₹ 3,313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.*

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

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

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the Consolidated IND AS financial statements. (Also refer note no. 62 to the financial statements).

In the absence of information, the effect of which cannot be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii), (iv), (v), (vi), (vii), (viii)(a), (ix), (x), (xi), and (xii) on the Consolidated IND AS financial statements for the year ended on 31st March 2017.

We further state that without considering the impact of items stated in preceding para, the effect of which could not be determined, had the observations made by us in point nos. (iii), (viii)(b) been considered in the Consolidated IND AS financial statements, loss for the year would have been ₹ 3076.41 Crores as against the reported figure of ₹ 2936.05 Crores in the consolidated Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 455.25 Crores as against the reported figure of ₹ 492.16 Crores, Other Current Liabilities would have been ₹ 1368.66 Crores as against the reported figure of ₹ 1265.21 Crores in the consolidated Balance Sheet.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us 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 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, 2017, 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 notes on the Consolidated IND AS financial statements being matters pertaining to Holding Company requiring emphasis by us. Our opinion is not qualified in respect of these matters:

- (i) 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 Holding Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Holding Company u/s 80 IA of the Income Tax Act, 1961.
- (ii) Point no. (a) of note no. 68 to the Consolidated IND AS financial statements regarding accounting of claims and counter claims of Holding Company with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for Holding Company, in the year when the ultimate collection / payment of the same becomes reasonably certain.
- (iii) Classification of trade receivables as unsecured without considering the security deposit which the Holding Company has received from the subscribers. (Also refer note no. 31 to the Consolidated IND AS financial statements).
- (iv) Amount receivable from BSNL and Other Operators has been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other receivables. (Also refer note no. 31 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 Schedule III of the Companies Act, 2013 has not been made by the Holding Company in the Consolidated IND AS financial statements.
- (vi) The Consolidated IND AS financial statements of the Group and its jointly controlled entities reflect that net worth of the Group and its jointly controlled entities has virtually eroded, The Group and jointly controlled entities have incurred net cash loss during the current year as well as in the previous year and the current liabilities exceeded the current assets substantially. All these conditions indicate the existence of material uncertainty that may cast significant doubts about the Group and its jointly controlled entity ability to continue as a going concern. However,

the Consolidated IND AS financial statements have been prepared on a going concern basis for the reasons stated in the note no. 82 to the Consolidated IND AS financial statements.

Other Matters

- (a) We did not audit the financial statements of two subsidiaries whose financial statements reflect total assets of ₹ 170.85 Crores as at 31st March, 2017, total revenues of ₹102.24 Crores and net cash inflows amounting to ₹ 3.50 Crores for the year ended as on that date, as considered in the Consolidated IND AS financial statements. These financial statements have been audited by other auditors 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 relates to the amounts and disclosures included in respect of these subsidiaries and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries is based solely on the reports of the other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

- (b) We did not audit the financial statements / financial information of associates and jointly controlled entities. The Consolidated IND AS financial statements also include the Group's share of net loss of ₹11.90 Crores for the year ended 31st March, 2017, as considered in the Consolidated IND AS financial statements, in respect of one associate and one jointly controlled entity, 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 jointly controlled entities 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 jointly controlled entities 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, except for the possible effect of matter described in points no. (i), (ii), (iv), (v), (vi), (vii), (viii)(a), (ix), (x), (xi), and (xii) of the paragraph on Basis of Qualified Opinion given above, obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid Consolidated IND AS financial statements.
- (b) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid Consolidated 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. (iii), (iv), (v), (x), (xi), and (xii) 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 – 16 regarding Property, Plant and Equipment, 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 and operating effectiveness of such controls, refer to our separate report in “Annexure A”, which is based on the Auditors Report of the Holding Company. Our report expresses a qualified opinion on the adequacy and operating effectiveness of the internal financial controls over financial reporting of the Holding Company.
- (g) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us 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:
- 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 consolidated IND AS financial statements. Refer Note no. 51 to the Consolidated IND AS financial statements.
 - 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. 80 to the consolidated IND AS financial statements.
 - there has been no delay in transferring any amount to the Investor, Education and Protection Fund by the Holding Company and its subsidiary companies, associate companies and jointly controlled entities during the year ended 31st March, 2017. Refer Note No. 79 to the Consolidated IND AS financial statements.
 - The Company has provided requisite disclosures in its Consolidated IND AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 08th November, 2016 to 30th December, 2016. Based on audit procedures and relying on the management representations, we report that the disclosures are in accordance with books of accounts maintained by the Company and as produced to us by the management. Refer point no. (iv) of Note No. 17 to the Consolidated IND AS financial statements.

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

(NITISH KUMAR CHUGH)
PARTNER
Membership No.: 512742

PLACE : NEW DELHI
DATED : May 30, 2017

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

(ROOPA GARG)
PARTNER
Membership No.: 500677

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

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

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

In conjunction with our audit of the Consolidated IND AS financial statements of the Company as of and for the year ended March 31, 2017, 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 March 31, 2017:

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

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 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, 2017, 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, 2017 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

As the financial statements of jointly controlled company incorporated in India of the Holding Company are unaudited, 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, which is company incorporated in India, is based on the corresponding reports of the auditors of such company incorporated in India.

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

**(NITISH KUMAR CHUGH)
PARTNER
Membership No.: 512742**

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

**(ROOPA GARG)
PARTNER
Membership No.: 500677**

**PLACE : NEW DELHI
DATED : May 30, 2017**



MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Balance Sheet as at 31 March 2017

	Notes	31 March 2017 (₹ in crores)	31 March 2016 (₹ in crores)	01 April 2015 (₹ in crores)
ASSETS				
Non-current assets				
Property, plant and equipment	4	4,928.12	5,456.90	5,934.03
Capital work-in-progress	5	291.34	136.87	204.75
Investment property	6	53.68	39.59	39.38
Intangible assets	7	3,777.69	4,118.27	4,456.94
Investments accounted for using the equity method	8	3.81	3.12	5.54
Financial assets				
Investments	9	-	-	20.00
Loans	10	2,683.98	3,859.07	3,959.57
Other financial assets	11	20.39	0.36	7.80
Deferred tax assets (net)	12	0.00	0.01	0.01
Non-current tax assets (net)	12A	649.70	817.77	789.04
Other non-current assets	13	321.69	1,033.50	1,416.23
Total non-current assets		12,730.39	15,465.46	16,833.29
Current assets				
Inventories	14	15.70	30.30	32.44
Financial assets				
Current investments	15	-	-	20.00
Trade receivables	16	492.16	494.28	472.11
Cash and cash equivalents	17	98.07	168.76	84.11
Other bank balances	18	16.70	22.27	13.45
Loans	19	2,811.40	954.43	168.65
Other financial assets	20	843.84	783.70	840.31
Current tax assets (net)	12B	0.13	-	-
Other current assets	21	684.81	752.48	820.88
		4,962.81	3,206.22	2,451.95
Assets held for sale	22	0.06	0.65	0.51
Total assets		17,693.27	18,672.33	19,285.75
EQUITY AND LIABILITIES				
Equity				
Equity share capital	23	630.00	630.00	630.00
Other equity	24	(4,003.85)	(1,034.97)	909.09
Total equity		(3,373.85)	(404.97)	1,539.09
Non-current liabilities				
Financial liabilities				
Borrowings	25	7,011.31	4,562.97	5,512.62
Other financial liabilities	26	2,050.61	2,034.37	1,898.50
Long-term provisions	27	1,159.18	1,196.28	1,263.28
Deferred tax liabilities (net)	28	4.60	3.91	2.74
Other non-current liabilities	29	228.04	257.86	292.55
Total non-current liabilities		10,453.74	8,055.39	8,969.69
Current liabilities				
Financial Liabilities				
Borrowings	30	7,910.24	7,923.81	6,595.49
Trade payables	31	437.98	398.92	320.33
Other financial liabilities	32	1,265.21	1,901.06	1,210.90
Other current liabilities	33	684.31	509.41	463.45
Short term provisions	34	315.63	288.72	186.80
Total current liabilities		10,613.38	11,021.91	8,776.97
Total liabilities		21,067.12	19,077.31	17,746.66
Total equity and liabilities		17,693.27	18,672.33	19,285.75

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/-
(Nitish Kumar Chugh)
Partner
Membership No. 512742

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

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



MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Statement of Profit and Loss for the year ended 31 March 2017

		31 March 2017 (₹ in crores)	31 March 2016 (₹ in crores)
Continuing operations	Notes		
Revenue			
Revenue from operations	35	2,969.37	3,223.16
Other income	36	<u>685.32</u>	<u>570.73</u>
Total income		<u>3,654.69</u>	<u>3,793.89</u>
Expenses			
License fees expense	37	278.76	248.12
Employee benefit expense	38	2,651.02	2,642.58
Finance costs	39	1,448.47	1,351.34
Revenue sharing expense		249.85	248.56
Depreciation and amortisation expense	40	1,113.30	1,178.20
Other expenses	41	<u>853.54</u>	<u>875.63</u>
Total expenses		<u>6,594.94</u>	<u>6,544.43</u>
Loss before exceptional items, share of net profits of investments accounted for using equity method and tax		<u>(2,940.25)</u>	<u>(2,750.54)</u>
Share of profit/(loss) in investments accounted for using equity method		0.69	(2.42)
Loss before tax from continuing operations		<u>(2,939.56)</u>	<u>(2,752.96)</u>
Tax expense	42	<u>(3.51)</u>	<u>(491.15)</u>
Loss from continuing operations		<u>(2,936.05)</u>	<u>(2,261.81)</u>
Discontinued operations			
Profit from discontinued operations before and after tax		-	315.95
Profit from discontinued operations		<u>-</u>	<u>315.95</u>
Profit/(loss) for the year		<u>(2,936.05)</u>	<u>(1,945.86)</u>
Other comprehensive income	43		
A i) Items that will not be reclassified to profit and loss		(29.49)	(5.82)
ii) Income tax relating to items that will not be reclassified to profit or loss		-	-
B i) Items that will be reclassified to profit or loss		(3.34)	7.62
ii) Income tax relating to items that will be reclassified to profit or loss		-	-
Other comprehensive loss for the year		<u>(32.83)</u>	<u>1.79</u>
Total comprehensive loss for the year		<u>(2,968.88)</u>	<u>(1,944.07)</u>
Profit is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		<u>(2,936.05)</u>	<u>(1,945.86)</u>
		<u>(2,936.05)</u>	<u>(1,945.86)</u>
Total comprehensive income is attributable to :			
Owners of Mahanagar Telephone Nigam Limited		<u>(2,968.88)</u>	<u>(1,944.07)</u>
		<u>(2,968.88)</u>	<u>(1,944.07)</u>
Total comprehensive income attributable to owners of Mahanagar Telephone Nigam Limited arises from :			
Continuing operations		(2,968.88)	(2,260.02)
Discontinued operations		-	315.95
		<u>(2,968.88)</u>	<u>(1,944.07)</u>
Loss per equity share for loss from continuing operations attributable to owners of Mahanagar Telephone Nigam Limited:	44		
Basic (₹)		(46.60)	(35.90)
Diluted (₹)		(46.60)	(35.90)
Earnings per equity share for profit from discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :	44		
Basic (₹)		-	5.02
Diluted (₹)		-	5.02
Loss per equity share for loss from continuing and discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :	44		
Basic (₹)		(46.60)	(30.89)
Diluted (₹)		(46.60)	(30.89)
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

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

(Sultan Ahmed)
GM (Finance) CO

(S.R. Sayal)
CO. Secy.

Sd/-
(Nitish Kumar Chugh)
Partner
Membership No. 512742

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

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

Place : New Delhi
Date : 30 May 2017



MAHANAGAR TELEPHONE NIGAM LIMITED

Consolidated Cash Flow Statement for the year ended 31 March 2017

	31 March 2017 (₹ in crores)	31 March 2016 (₹ in crores)
A CASH FLOW FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax		
Continuing operations	(2,939.56)	(2,752.96)
Discontinued operations	-	315.95
Remeasurement gains and loss on employee benefit obligations	(29.49)	(5.82)
	(2,969.05)	(2,442.83)
Adjustments for:		
Depreciation expense	773.41	837.88
Amortisation expense	339.89	340.32
Loss on disposal of property, plant and equipment (net)	4.80	4.60
Share of (profit)/loss from associates and joint ventures	(0.69)	2.42
Interest income	(398.26)	(263.99)
Excess provisions written back	(45.94)	(58.72)
Provision for doubtful debts	36.30	48.76
Provision for obsolete inventory	1.89	1.13
Provision for doubtful claims	21.18	2.99
Provision for doubtful recovery of investment	-	40.00
Finance costs	1,427.52	1,332.66
Bad debts written off	26.83	34.12
Operating profit before working capital changes	(782.12)	(120.66)
Movement in working capital		
Decrease in loans	(706.82)	(687.87)
Decrease in inventories	12.70	1.05
Increase in other financial assets	(60.21)	56.79
Increase in other assets	778.42	453.56
Decrease in trade and other receivables	(61.10)	(104.85)
Decrease in other financial liabilities	(597.09)	832.26
Decrease in other liabilities	144.89	11.71
Decrease in trade and other payables	74.71	172.47
Cash flow from operating activities post working capital changes	(1,196.64)	614.45
Income tax refunds (net)	172.26	463.59
Net cash flow from operating activities (A)	(1,024.38)	1,078.05
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, plant and equipment and investment property (including capital work-in-progress) (net of sale proceeds)	(417.41)	(299.31)
Purchase of intangible assets	0.68	(1.65)
Movement in fixed deposits (net)	(14.47)	(1.38)
Interest received	400.92	265.81
Net cash flows used in investing activities (B)	(30.27)	(36.53)
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds and repayment from long-term borrowings (net)	2,448.33	(949.65)
Proceeds and repayment of short-term borrowings (net)	(13.56)	1,328.32
Finance cost paid	(1,450.85)	(1,335.53)
Net cash used in financing activities (C)	983.92	(956.86)
Increase in cash and cash equivalents (A+B+C)	(70.35)	84.66
Cash and cash equivalents at the beginning of the year	168.76	84.11
Cash and cash equivalents at the end of the year	98.07	168.76

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

Place : New Delhi
Date : 30 May 2017

MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Statement of Changes in Equity



A Equity share capital				(₹ in crores)
Particulars	Balance as at 01 April 2015	Redemption of equity share capital during the year	Balance as at 31 March 2016	
Equity Share Capital	630.00	-	630.00	

				(₹ in crores)
Particulars	Balance as at 01 April 2016	Redemption of equity share capital during the year	Balance as at 31 March 2017	
Equity Share Capital	630.00	-	630.00	

B Other equity

	Reserves and surplus						Other comprehensive income (OCI)		Total
	Securities premium	General reserve	Research & Development reserve	Contingency reserve	Debt redemption reserve	Retained Earnings	Foreign currency translation through OCI	Remeasurement of defined benefit plans	
Balance as at 01 April 2015	665.00	0.07	30.80	345.72	45.27	(177.77)	-	-	909.09
Profit/ (loss) for the year	-	-	-	-	-	(1,945.86)	-	-	(1,945.86)
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	(5.82)	(5.82)
Currency translation of foreign operations							7.62	-	7.62
Balance as at 31 March 2016	665.00	0.07	30.80	345.72	45.27	(2,123.63)	7.62	(5.82)	(1,034.97)
Profit/ (loss) for the year	-	-	-	-	-	(2,936.05)	-	-	(2,936.05)
Remeasurement of defined benefit obligation	-	-	-	-	-	-	-	(29)	(29.49)
Currency translation of foreign operations	-	-	-	-	-	-	(3.34)	-	(3.34)
Transfer from/to retained earnings	-	-	-	(102.49)	-	102.49	-	-	-
Balance as at 31 March 2017	665.00	0.07	30.80	243.22	45.27	(4,957.19)	4.28	(35.32)	(4,003.85)

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.

2. 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

3. 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 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 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 200AH capacity	4
2. UPS/Battery more than 200AH capacity	7
3. ADSL, VDSL & MES CPES	5
4. Subscribers telephone instruments	5

For **Office Equipments** 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 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 – 50% provision is made 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 recognized 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) 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.

MAHANAGAR TELEPHONE NIGAM LIMITED

Notes to the Consolidated Financial Statements for the year ended 31 March 2017



4. PROPERTY, PLANT AND EQUIPMENT

Description	Freehold land	Leasehold land	Buildings	Leased premises	Lines & wires	Cables	Apparatus & plant	Vehicle	Furniture & fixtures	Office machinery & equipment	Electrical appliances	Computers	Asset scrapped/decommissioned	Total
(₹ in crores)														
Gross carrying value														
As at 01 April 2015*	18.75	357.28	1,768.24	6.53	152.57	7,631.83	9,979.04	27.88	154.59	36.15	151.60	309.22	8.43	20,602.12
Additions	-	-	77.70	-	7.94	78.70	341.84	0.27	1.31	0.13	0.19	1.67	32.79	542.54
Assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	(0.14)	(0.14)
Exchange differences	-	-	0.09	-	-	-	1.35	0.00	0.01	0.00	-	0.00	-	1.44
Adjustments	(0.02)	(0.22)	(1.19)	-	0.24	2.21	(322.02)	0.02	0.12	(0.10)	(0.15)	(0.78)	(35.91)	(357.83)
Disposals	-	-	-	-	-	-	(1.55)	(0.24)	(0.01)	(0.00)	(0.00)	-	-	(1.80)
As at 31 March 2016	18.73	357.06	1,844.83	6.53	160.76	7,712.73	9,998.66	27.93	156.02	36.18	151.64	310.11	5.16	20,786.33
Additions	-	1.92	-	23.00	7.09	34.87	174.07	0.35	0.10	1.74	0.18	1.26	0.83	245.42
Adjustments	(0.01)	1.69	(17.05)	-	(7.38)	(7.90)	(87.52)	(1.93)	(0.01)	(0.13)	(0.05)	(0.32)	42.39	(78.22)
Exchange differences	-	-	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	1,827.89	29.53	160.46	7,739.70	10,084.48	26.35	156.11	37.79	151.76	311.05	48.38	20,952.91
Accumulated depreciation														
As at 01 April 2015*	-	59.02	755.29	1.59	85.15	6,042.79	7,132.62	24.95	134.22	34.00	132.05	266.41	-	14,668.09
Charge for the year	-	3.68	97.74	0.14	5.11	183.52	520.23	0.39	4.51	0.29	3.43	17.19	-	836.23
Exchange differences	-	-	0.04	-	-	0.97	0.97	0.00	0.01	0.00	-	0.00	-	1.02
Impairment loss	-	-	-	-	-	-	(24.28)	-	-	-	-	-	-	(24.28)
Adjustments	-	-	(8.08)	-	(0.01)	0.82	(140.90)	(0.19)	0.59	(0.10)	(0.10)	(3.65)	-	(151.62)
As at 31 March 2016	-	62.70	844.98	1.73	90.25	6,227.13	7,488.64	25.15	139.33	34.19	135.38	279.95	-	15,329.44
Charge for the year	-	3.79	83.26	0.14	5.36	165.98	490.85	0.40	3.70	1.70	2.72	13.39	-	771.29
Adjustments	-	-	(90.75)	-	(1.87)	(27.96)	(45.43)	(1.58)	(0.01)	(0.07)	0.01	(0.05)	-	(167.71)
Exchange differences	-	-	(0.00)	-	-	(0.32)	(0.32)	(0.00)	(0.00)	(0.00)	-	(0.00)	-	(0.33)
Impairment loss	-	(0.74)	94.51	-	-	-	(1.67)	-	-	-	-	-	-	92.10
As at 31 March 2017	-	65.74	932.01	1.87	93.75	6,365.15	7,932.06	23.97	143.01	35.82	138.12	293.29	-	16,024.79
Net block as at 01 April 2015*	18.75	298.26	1,012.95	4.94	67.42	1,589.04	2,846.42	2.93	20.37	2.15	19.55	42.81	8.43	5,934.03
Net block as at 31 March 2016	18.73	294.36	999.85	4.80	70.50	1,485.60	2,510.02	2.78	16.69	1.99	16.25	30.16	5.16	5,456.90
Net block as at 31 March 2017	18.72	294.93	895.88	27.66	66.71	1,374.55	2,152.42	2.38	13.09	1.98	13.65	17.77	48.38	4,928.12

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

(i) Contractual obligations

Refer note 52 for disclosure of contractual commitments for the acquisition of property, plant and equipment.

(ii) Capitalised borrowing cost

The borrowing costs capitalised during the year ended 31 March 2017 was ₹ 0.09 crores (31 March 2016 ₹ Nil).

(iii) Finance leases

Refer note 53(B) for information on property, plant and equipment taken on finance lease.

(iv) Others

- 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.
- Foreign currency translation difference on assets is included in adjustment column above.
- Depreciation on the assets of continuing operations is ₹ 771.29 crores (for the year ended 31 March 2016: ₹ 836.23 crores) and for discontinuing operations is ₹ nil (for the year ended 31 March 2016: ₹ 12.34 crores).
- Depreciation of ₹ 49.09 crores on account of componentisation of property, plant and equipment, whose useful life is already exhausted before 01 April 2015, has been adjusted against retained earnings on transition date.

5. CAPITAL WORK-IN-PROGRESS

	(₹ in crores)		
	31 March 2017	31 March 2016	01 April 2015
Buildings	9.60	4.28	3.78
Apparatus & plants	145.38	21.50	48.27
Lines & wires	1.46	3.05	3.16
Cables	50.92	52.75	61.25
Subscriber's installations	22.17	15.26	27.52
Air conditioning plants	10.37	5.97	1.42
Others	86.13	74.53	108.85
	326.03	177.35	254.24
Less: provision for :			
Abandoned work	(2.86)	(2.86)	(4.33)
Others	(31.83)	(37.62)	(45.17)
	291.34	136.87	204.75

Movement in capital work in progress:

	(₹ in crores)
Particulars	Amount
Capital work-in-progress as at 01 April 2015	204.75
Add: additions during the year	357.32
Less: capitalisation during the year	(431.28)
Less: Reversal/(provision) for abandoned work	6.09
Capital work-in-progress as at 31 March 2016	136.87
Add: additions during the year	362.33
Less: capitalisation during the year	(213.65)
Less: Reversal/(provision) for abandoned work	5.79
Capital work-in-progress as at 31 March 2017	291.34

6. INVESTMENT PROPERTY

Description	Gross block			Accumulated depreciation			Net block	
	01 April 2015*	Additions	Disposals/ Adjustments	31 March 2016	01 April 2015*	Additions	31 March 2016	01 April 2015*
Freehold land	0.30	0.02	-	0.32	-	-	0.32	0.30
Leasehold land	7.89	0.22	-	8.11	1.57	0.16	6.38	6.32
Buildings	50.61	2.93	-	53.53	17.84	2.81	20.65	32.77
Total	58.80	3.17	-	61.97	19.42	2.97	39.59	39.38

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets

Description	Gross block			Accumulated depreciation			Net block	
	01 April 2016	Additions	Exchange differences/ Adjustments	31 March 2017	01 April 2016	Additions	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	7.75	6.38
Buildings	53.53	17.25	(0.11)	70.68	20.65	2.00	45.60	32.88
Total	61.97	19.47	(0.11)	81.33	22.38	2.12	53.68	39.59

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

	31 March 2017	31 March 2016
Rental income	145.78	98.06
Direct operating expenses that generated rental income*	-	-
Direct operating expenses that did not generate rental income*	-	-
Profit from leasing of investment properties	145.78	98.06

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

(ii) Fair value of investment properties

Particulars	31 March 2017	31 March 2016	01 April 2015
Fair value	1,844.22	1,533.50	1,240.52

The Company reviews the fair values annually. The best evidence of fair value is circle rates (based on local Stamp Acts) at which government (or other bodies representing the government) sell such properties in an active market. This is considered to be representative of the fair value of properties as at reporting date.

7. OTHER INTANGIBLE ASSETS

(₹ in crores)

	Softwares	One time spectrum fees	Total
Gross carrying value			
At 01 April 2015*	131.37	6,565.45	6,696.83
Additions	1.84	-	1.84
Disposals/adjustments	-	-	-
Balance as at 31 March 2016	133.21	6,565.45	6,698.66
Additions	-	-	-
Disposals/adjustments	-	-	-
Balance as at 31 March 2017	133.21	6,565.45	6,698.66
Accumulated amortisation			
At 01 April 2015*	58.29	2,181.60	2,239.89
Amortisation charge for the year	12.12	328.39	340.51
Disposals/adjustments for the year	-	-	-
Balance as at 31 March 2016	70.41	2,509.99	2,580.40
Charge for the year	11.69	328.46	340.15
Disposals/adjustments for the year	-	0.42	0.42
Balance as at 31 March 2017	82.11	2,838.87	2,920.97
Net book value as at 01 April 2015*	73.08	4,383.86	4,456.94
Net book value as at 31 March 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

* Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

8. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(₹ in crores)

	Number of shares			Amount		
	31 March 2017	31 March 2016	01 April 2015	31 March 2017	31 March 2016	01 April 2015
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	2,282,000	2.88	2.88	2.88
				2.88	2.88	2.88
Less: share of profit from joint ventures accounted using equity method				1.52	0.83	0.23
Sub total (A)				3.81	3.12	2.51
In Associates (unquoted)						
United Telecom Limited (face value of Nepali ₹ 100 (₹ 62.50) each fully paid up)	5,736,200	5,736,200	5,736,200	35.85	35.85	35.85
				35.85	35.85	35.85
Less: Share of loss share from associates accounted using equity method				(35.85)	(35.85)	(32.82)
Sub total (B)				-	-	3.03
Investments accounted for using the equity method (A+B)				3.81	3.12	5.54

Refer note 48 for detailed information on interests in associates and joint ventures

9. NON-CURRENT INVESTMENTS

(₹ in crores)

	Number of shares			Amount		
	31 March 2017	31 March 2016	01 April 2015	31 March 2017	31 March 2016	01 April 2015
In preference shares (fully paid up)						
8.75% unquoted preference shares in M/s. ITI Limited*	-	-	10,000,000	-	-	20
(face value of ₹ 100 each fully paid up)				-	-	20

Total non-current investments

Aggregate amount of unquoted investments - - 20

*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 63 for further details.

10. LOANS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Secured, considered good			
Loan to employees	31.94	49.59	65.72
Unsecured, considered good			
Security deposits with other departments	115.76	123.23	22.77
Receivable from DoT	1,885.38	1,933.40	1,880.80
Receivable from BSNL	650.91	1,752.84	1,990.29
Unsecured, considered doubtful			
Security deposits with other departments	8.99	9.23	5.33
Receivable from DoT	1.39	1.39	1.39
Receivable from BSNL	6.22	6.22	6.22
	2,700.58	3,875.90	3,972.52
Less: Allowance for doubtful loans	(16.60)	(16.83)	(12.95)
	2,683.98	3,859.07	3,959.57

(a) 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.

(b) Refer note 45 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost and note 46 - Financial risk management for assessment of expected credit losses

(c) For details on settlement of receivable from BSNL, refer note 69

(d) For details on settlement of receivable from DOT, refer note 74

11. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Bank deposits with more than 12 months maturity*	20.39	0.36	7.80
	20.39	0.36	7.80

(i) ₹ 7.34 crores (31 March 2016 - ₹ Nil and 01 April 2015 - ₹ 8.22) 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.

12. DEFERRED TAX ASSET (NET)

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Deferred tax asset arising on account of :			
Property plant and equipment	0.00	0.01	0.01
	0.00	0.01	0.01

Notes:
(i) Movement in deferred tax liabilities for year ended 31 March 2017:

				(₹ in crores)
Particulars	01 April 2016	Recognised in other comprehensive income	Recognised in equity	31 March 2017
Non-current assets				
Property plant and equipment	0.01	(0.00)		0.00
Total	0.01	(0.00)	-	0.00

(ii) Movement in deferred tax liabilities for year ended 31 March 2016:

				(₹ in crores)
Particulars	01 April 2015	Recognised in other comprehensive income	Recognised in equity	31 March 2016
Non-current assets				
Property plant and equipment	0.01	-	-	0.01
Total	0.01	-	-	0.01

12A. NON-CURRENT TAX ASSETS (NET)

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Advance income tax (net of provision)	649.70	817.77	789.04
	649.70	817.77	789.04

12B. CURRENT TAX ASSETS (NET)

	31 March 2017	31 March 2016	01 April 2015
	Current	Current	Current
Advance income tax (net of provision)	0.13	-	-
	0.13	-	-

13. OTHER NON-CURRENT ASSETS

	31 March 2017	31 March 2016	01 April 2015
	Non-current	Non-current	Non-current
Capital advances	1.57	1.57	1.58
Advance against future settlements towards DoT	295.12	970.17	1,321.38
Balances with statutory authorities	4.84	1.87	5.67
Prepaid expenses	20.15	59.90	87.59
	321.69	1,033.50	1,416.23

14. INVENTORIES

	31 March 2017	31 March 2016	01 April 2015
(Valued at cost, unless otherwise stated)			
Exchange equipments	26.46	29.88	31.52
Telephones & telex instruments	0.24	0.47	0.49
Mobile handsets & sim cards	2.77	2.61	3.05
WLL equipments	0.08	-	0.08
Telephones & telex spares	0.09	0.10	0.10
Goods in transit	1.65	-	-
	31.29	33.05	35.24
Less : Provision for obsolete stores	(15.59)	(2.75)	(2.80)
	15.70	30.30	32.44

15. CURRENT INVESTMENTS

(₹ in crores)

	Number of shares			Amount		
	31 March 2017	31 March 2016	01 April 2015	31 March 2017	31 March 2016	01 April 2015
In preference shares (₹ 100 each fully paid up)						
8.75% unquoted preference shares in M/s. ITI Limited*	10,000,000	10,000,000	10,000,000	100.00	100.00	80.00
Less : Provision for doubtful recovery of investment				(100.00)	(100.00)	(60.00)
				<u>-</u>	<u>-</u>	<u>20.00</u>
Total current investments						
Aggregate amount of unquoted investments				100.00	100.00	80.00
Aggregate amount of impairment in the value of investments				100.00	100.00	60.00

*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 2017	31 March 2016	01 April 2015
Trade receivables			
- Unsecured, considered good	391.74	375.37	339.40
- Unsecured, considered doubtful	789.09	729.35	709.35
Unbilled receivables	165.23	187.38	195.35
	<u>1,346.06</u>	<u>1,292.10</u>	<u>1,244.11</u>
Less: Allowance for doubtful debts			
Unsecured considered good (expected credit loss)	(65.18)	(68.47)	(62.64)
Unsecured considered doubtful	(788.72)	(728.70)	(708.90)
Provision for wrong billing	(0.37)	(0.65)	(0.45)
	<u>491.79</u>	<u>494.28</u>	<u>472.11</u>

(i) Trade receivables have been pledged as security for liabilities, for details refer note 55.

(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 amounting to ₹ 563.31 crores as at 31 March 2017 (31 March 2016 - ₹ 566.50 crores and 01 April 2015 - ₹ 580.26 crores) which are under reconciliation.

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

17. CASH AND CASH EQUIVALENTS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Balances with banks in current accounts	88.30	160.22	81.31
Cheques, drafts on hand	1.55	1.43	2.75
Cash on hand	0.35	0.46	1.19
	<u>90.20</u>	<u>162.11</u>	<u>85.24</u>
Less: Provision for doubtful bank balances	(0.56)	(1.13)	(1.13)
	<u>89.64</u>	<u>160.98</u>	<u>84.11</u>
Fixed deposits with original maturity of less than three months	8.42	7.79	-
	<u>98.07</u>	<u>168.76</u>	<u>84.11</u>

(i) ₹ 7.39 crores (31 March 2016 - ₹ 7.79 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) There are no repatriation restrictions with respect to cash and bank balances as at the end of the reporting period and prior periods.

(iii) For the purpose of cash flows, cash and cash equivalents comprise the following:

	(₹ in crores)		
	31 March 2017	31 March 2016	01 April 2015
Cash on hand	0.35	0.46	1.19
Cheques in hand	1.55	1.43	2.75
Balances with banks in current accounts	88.30	160.22	81.31
Fixed deposits with original maturity of less than three months	8.42	7.79	-
	98.63	169.89	85.24

(iv) Disclosure regarding Specified Bank Notes (SBN) as per MCA notification dated 30th March 2017 :

(₹ in crores)

	SBNs	Other denomination notes	Total
Closing cash in hand as on 08 November 2016	0.32	0.19	0.50
(+) Permitted receipts	31.49	21.78	53.27
(-) Permitted payments	(0.00)	(0.75)	(0.76)
(-) Amount deposited in Banks	(31.80)	(21.06)	(52.86)
Closing cash in hand as on 30 December 2016	-	0.16	0.16

18. OTHER BANK BALANCES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Fixed deposits maturity for more than 3 months but less than 12 months	16.70	22.27	13.45
	16.70	22.27	13.45

(i) ₹ 0.50 crores (31 March 2016 - ₹ 9.43 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) There are no repatriation restrictions with respect to cash and bank balances as at the end of the reporting period and prior periods.

19. LOANS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Secured, considered good			
Loan to employees	21.98	24.69	30.78
Unsecured, considered good	-	-	-
Loan to employees	1.34	53.70	1.93
Security deposits with other departments	22.62	22.23	22.12
Receivable from BSNL	2,765.45	853.81	113.82
Unsecured, considered doubtful			
Loan to employees	0.01	0.01	0.01
	2,811.41	954.44	168.66
Less: Allowance for doubtful loans	(0.01)	(0.01)	(0.01)
	2,811.40	954.43	168.65

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

20. OTHER FINANCIAL ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Amount recoverable			
IUC operators	262.86	224.30	281.33
Others	694.03	660.28	655.39
	956.89	884.58	936.72
Less: provision for doubtful receivables	(113.05)	(100.88)	(96.42)
	843.84	783.70	840.31

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

21. OTHER CURRENT ASSETS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Advances to suppliers	26.65	27.45	27.59
Advance against future settlements towards DoT	431.77	432.80	388.13
Balances with statutory authorities	146.08	119.01	114.39
Prepaid expenses	78.90	67.15	57.23
Other recoverables	1.41	106.07	233.54
	684.81	752.48	820.88

22. ASSETS HELD FOR SALE

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Assets held for sale	0.06	0.65	0.51
	0.06	0.65	0.51

In the year, management is already in the process to sale switches and BTS-batteries originally acquired for GSM Services in Mumbai. There are several interested parties and the sale is expected to be completed before the end of Financial Year 2017-18. A tender was floated for auction of the asset held for sale, which failed due to technical reasons. Another tender is under process for auction of the asset. The asset is presented within total assets of WS Service-Mumbai segment.

Non-recurring fair value measurements

Asset classified as held for sale during the reporting period 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. This is Level 3 measurement as per fair value hierarchy set out in fair value measurement disclosure (Note 45).

23. EQUITY SHARE CAPITAL

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Authorised capital			
800,000,000 (previous year 800,000,000) equity shares of ₹ 10 each	800.00	800.00	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	630.00	630.00

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

	31 March 2017		31 March 2016	
	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. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

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 2017		As on 31 March 2016	
	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

24. OTHER EQUITY

(₹ in crores)

	31 March 2017	31 March 2016
Statement of profit and loss		
As per last balance sheet	(2,123.63)	(177.77)
Add : Net profit for the year	(2,936.05)	(1,945.86)
Less : Appropriations		
Transferred from contingency reserve	102.49	-
Total appropriations	102.49	-
Net surplus in statement of profit and loss	(4,957.19)	(2,123.63)
Other reserve		
General reserve		
As per last balance sheet	0.07	0.07
Amount transferred from statement of profit and loss	-	-
	0.07	0.07
Debenture redemption reserve		
As per last balance sheet	45.27	45.27
Appropriations during the year	-	-
	45.27	45.27
Contingency reserve		
As per last balance sheet	345.72	345.72
Movement	(102.49)	-
	243.22	345.72
Other comprehensive income reserve		
As per last balance sheet	1.79	-
Foreign currency translation	(3.34)	7.62
Remeasurements of employee benefit obligations	(29.49)	(5.82)
	(31.04)	1.79
Securities premium account		
As per last balance sheet	665.00	665.00
Add: Shares issued by the subsidiary companies	-	-
	665.00	665.00

	31 March 2017	31 March 2016
Research and development reserve		
As per last balance sheet	30.80	30.80
Movement	-	-
	30.80	30.80
	953.33	1,088.66

Nature and purpose of other reserves

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.

Other Comprehensive Income(OCI) reserve

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

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.

Capital reserve

Capital reserve is created out of the profit earned from some specific transactions of capital nature. Capital reserve is not available for the distribution to the shareholders.

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.

Contingency reserve

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

25. BORROWINGS

	(₹ in crores)		
	Non-current 31 March 2017	Non-current 31 March 2016	Non-current 01 April 2015
Secured			
Term loans (Net of current maturities)			
From banks	3,992.98	1,545.00	2,495.00
(Secured by floating first pari passu charge on all fixed and current assets)			
Long-term maturities of finance lease obligations			
Obligations under finance leases	40.57	40.56	40.56
	4,033.55	1,585.56	2,535.56
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(d) 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(d) 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(d) 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(d) below]			
Debentures - Series 3A	-	-	-
[7,650 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(d) below]			
Debentures - Series 2A	1,973.51	1,973.29	1,973.07
[19,750 number of 9.38 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]			
Debentures - Series 1A	1,004.25	1,004.12	1,003.99
[10,050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of ₹ 0.10 crore each]			
	<u>2,977.76</u>	<u>2,977.41</u>	<u>2,977.06</u>
	<u>7,011.31</u>	<u>4,562.97</u>	<u>5,512.62</u>

Amount disclosed under other financial liabilities:

Current maturities of long-term debt	275.00	950.00	-
Current maturities of finance lease obligations	4.64	4.64	4.63
Interest accrued	70.08	93.41	86.63

Notes:

- (a) No loans have been guaranteed by the directors and others.
- (b) There is no default as on the balance sheet date in the repayment of borrowings and interest thereon.
- (c) Repayment terms and security disclosure for the outstanding long-term borrowings (including current maturities)

(I) 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 installments 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 installments spread on:- From March 2019 to December 2020 - ₹ 25 Crores/quarter (8 installments) From March 2021 to December 2021, ₹ 50 Crores/quarter (4 installments) From March 2022 to December 2023 - ₹ 75 Crores/quarter (8 installments)"	8.34%
Union Bank of India	1,675.00	"Repayable due in 20 installments spread on:- From March 2019 to December 2020, ₹ 41.875 Crore/quarter (8 installments) From March 2021 to December 2021, ₹ 83.75 Crores/quarter (4 installments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 installments)"	8.50%

Andhra Bank	850.00	"Repayment due in 20 installments spread on:- From June 2019 to March 2021 - ₹ 21.25 Crores/quarter (8 installments) From June 2021 to March 2022 - ₹ 42.50 Crores/quarter (4 installments) From March 2022 to December 2023 - ₹ 125.625 Crores/quarter (8 installments)"	8.65%
Corporation Bank	250.00	"Repayment due in 20 installments spread on:- From March 2019 to December 2020 - ₹ 6.25 Crores/quarter (8 installments) From March 2021 to December 2021 - ₹ 12.50 Crores/quarter (4 installments) From June 2022 to March 2024 - ₹ 63.75 Crores/quarter (8 installments)"	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 installment due as on the reporting date.

Rate of interest- The Group'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.

(II) AS ON 31 MARCH 2016:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
IDBI Bank	2,000.00	"Repayable in 3 installments spread on:- June 2017 - ₹ 350 Crores September 2017 - ₹ 350 Crores December 2017 - ₹ 350 Crores"	10.41%
Indian Overseas Bank	495.00	"Repayable in 4 installments spread on:- July 2017 - ₹ 125 Crores January 2018 - ₹ 150 Crores July 2018 - ₹ 150 Crores January 2019 - ₹ 70 Crores"	10.38%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	-		
Less: Current maturities of long term debt	(950.00)		
Long term borrowings	1,545.00		

***Debentures-Series 1A**

Refer details in the above note (c)(i)

***Debentures-Series 2A**

Refer details in the above note (c)(i)

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.

(II) AS ON 31 MARCH 2015:

Name of bank	Amount outstanding (in crores)	No. of installments	Rate of interest
IDBI Bank	2,000.00	Repayable in 6 installments spread over from September 2016 to December 2017	11.35%
Indian Overseas Bank	495.00	"Repayable in 4 installments spread on:- July 2017 - ₹ 125 Crores January 2018 - ₹ 150 Crores July 2018 - ₹ 150 Crores January 2019 - ₹ 70 Crores"	11.24%
Less: Adjustment for processing fees on long term loans recognised using effective interest rate	-		
Less: Current maturities of long term debt	-		
Long term borrowings	2,495.00		

*Debentures-Series 1A

Refer details in the above note (c)(i)

*Debentures-Series 2A

Refer details in the above note (c)(i)

Rate of interest- The Company's entities total borrowings from banks and others have a effective weighted average rate of 11.42% per annum calculated using the interest rate effective as on 31 March 2015.

(d) 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.

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

26. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	Non-current 31 March 2017	Non-current 31 March 2016	Non-current 01 April 2015
Security deposits	160.39	123.16	140.54
Employee related payables - GPF of MTNL Optee	1,890.23	1,911.21	1,757.96
	2,050.61	2,034.37	1,898.50

Refer note 45 - Fair value disclosures for disclosure of fair value in respect of financial assets measured at amortised cost.

27. LONG-TERM PROVISIONS

(₹ in crores)

	Non-current 31 March 2017	Non-current 31 March 2016	Non-current 01 April 2015
Provision for employee benefits			
Provision for compensated absences	957.17	943.60	914.01
Provision for pension	168.09	229.78	304.20
Provision for gratuity	21.95	12.24	35.48
Provision for asset retirement obligations	11.97	10.66	9.58
	1,159.18	1,196.28	1,263.28

(i) Information about individual provisions and significant estimates

Provision for asset retirement obligations

The Group 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 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 the date of capitalisation for instruments with similar terms to discount future cash flows to their present value.

Disclosures required related to provision for employee benefits, refer note 49- Employee benefit obligations

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

	31 March 2017	31 March 2016
As at beginning of reporting period	10.66	9.58
Additions during the year	0.32	0.00
Amounts used during the year	(0.19)	-
Unused amounts reversed during the year		
Increase in the discounted amount arising from the passage of time	1.17	1.08
As at end of reporting period	11.97	10.66

28. DEFERRED TAX LIABILITIES (NET)
(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Deferred tax liability arising on account of :			
Difference in carrying value of property, plant & equipment between accounts and tax	9.32	9.48	9.00
Deferred tax asset arising on account of :			
Carry forward of unabsorbed business losses	(4.64)	(5.32)	(5.79)
Provision for doubtful debts and advances	(0.08)	(0.25)	(0.47)
	4.60	3.91	2.74

Notes:
(i) Movement in deferred tax liabilities for year ended 31 March 2017:

				(₹ in crores)
Particulars	01 April 2016	Recognised in other comprehensive income	Recognised in equity	31 March 2017
Non-current assets				
Property plant and equipment	9.48	(0.04)	(0.11)	9.32
Current assets				
Trade and other receivable	(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

(ii) Movement in deferred tax liabilities for year ended 31 March 2016:

				(₹ in crores)
Particulars	01 April 2016	Recognised in other comprehensive income	Recognised in equity	31 March 2017
Non-current assets				
Property plant and equipment	9.00	0.27	0.21	9.48
Current assets				
Trade and other receivable	(0.47)	0.22	-	(0.25)
Current liabilities				
Unused tax losses	(5.79)	0.48	-	(5.32)
Total	2.74	0.96	0.21	3.91

(iii) MTNL has unabsorbed depreciation and brought forward business losses amounting to ₹ 11,116.94 crores as on 31 March 2017 (31 March 2016: ₹ 8,392.54 crores). However, there is no reasonable certainty of availability of sufficient future taxable income against which such losses may be set off. Hence, 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.

(iv) The Group does not recognise deferred tax liability (31 March 2017: ₹1.20 crores, 31 March 2016: ₹0.82 crores and 01 April 2015: ₹0.51 crores) with respect to unremitted retained earnings and associated foreign currency translation reserve of subsidiaries, joint venture and associate 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 recognise 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.

(v) 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

29. OTHER NON-CURRENT LIABILITIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Deferred income	202.49	229.24	261.93
Deferred activation/ installation charges	25.55	28.62	30.62
	228.04	257.86	292.55

30. SHORT-TERM BORROWINGS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Unsecured			
From banks			
Cash credit from banks	6,010.24	6,438.81	4,295.49
Short term loans	1,900.00	1,485.00	2,300.00
	7,910.24	7,923.81	6,595.49

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

31. TRADE PAYABLES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Trade payables	407.54	363.57	270.15
Other accrued liabilities	30.44	35.35	50.18
	437.98	398.92	320.33

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

32. OTHER FINANCIAL LIABILITIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Current maturities of			
- Long-term debt	275.00	950.00	-
- Finance lease obligations	4.64	4.64	4.63
Interest accrued			
- Not due on bonds	60.33	60.67	60.33
- Due on borrowings	-	17.36	22.75
- Not due on borrowings	9.75	15.38	3.56
- Not due on deposits	0.10	0.11	0.13
Security deposits	163.98	226.14	194.04
Due to employees	191.60	121.61	225.66
Amount Payable to contractors other than goods & Services	411.66	358.91	256.24
Amount Payable to other operators	25.94	49.92	124.69
Amount Payable to DoT	-	-	0.02
Other Payables	122.21	96.32	318.86
	1,265.21	1,901.06	1,210.90

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

33. OTHER CURRENT LIABILITIES

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Advances received	401.48	237.76	184.08
Statutory dues	27.20	232.90	238.55
Deferred income	247.47	28.57	29.20
Deferred activation/ installation charges	8.15	10.17	11.63
	684.31	509.41	463.45

34. SHORT-TERM PROVISIONS

(₹ in crores)

	31 March 2017	31 March 2016	01 April 2015
Provision for employee benefits			
Provision for leave encashment - Company employees	159.93	147.46	124.42
Provision for leave encashment - Others	0.33	0.18	0.96
Provision for pension - Company employees	106.05	98.52	34.54
Provision for pension - Others	0.33	0.10	0.72
Provision for gratuity - Company employees	31.66	26.08	10.72
Provision - others			
Provision for wealth tax	-	-	0.22
Provision for others	17.33	16.38	15.23
	315.63	288.72	186.80

(i) Movement in provision related to wealth tax during the financial year:

	Provision for wealth tax	Provision for others
As at 01 April 2015	0.22	15.23
Additions during the year	-	1.15
Amounts used during the year	(0.22)	-
As at 31 March 2016	-	16.38
As at 01 April 2016	-	16.38
Additions during the year	-	0.95
Amounts used during the year	-	-
As at 31 March 2017	-	17.33

(ii) Disclosures required related to provision for employee benefits, refer note 49- Employee benefit obligations.

35. REVENUE FROM OPERATIONS

(₹ in crores)

	31 March 2017	31 March 2016
Fixed Telephone income		
Revenue - Telephone calls and other charges	402.10	476.47
Revenue - Fixed telephone monthly charges	556.01	570.56
Revenue - Telephone (Franchise services)	20.41	24.35
Revenue - Access calls and other charges	9.70	45.41
Revenue - Rent and junction charges	39.27	48.30
Revenue - Broadband	760.37	859.88
Revenue - ISDN call charges	33.85	37.56
Revenue - ISDN call rental	49.46	48.09
Enterprise business		
Revenue - Local circuits	305.10	324.40
Revenue - Long distance circuits	52.85	18.31
Mobile revenue		
Revenue - Activation charges	0.64	0.29
Revenue - Mobile rental and call charges	168.91	197.32
Revenue - Income from roaming	38.24	5.14
Revenue - Prepaid trunk	156.12	183.99
Revenue - IUC income	192.20	243.72
Revenue - VAS	70.87	60.59

	31 March 2017	31 March 2016
Others		
Revenue - Free phone services	74.53	50.55
Revenue - Internet	17.99	15.13
Revenue - Premium rate services	0.19	0.27
Other operating revenues		
Other operating revenues - Surcharge on delayed payment	12.33	12.82
Other operating revenues - Revenue from enterprise business	8.23	-
	2,969.37	3,223.16

36. OTHER INCOME

(₹ in crores)

	31 March 2017	31 March 2016
Interest on :		
Interest from bank	2.70	2.62
Interest on advance to employees	6.23	8.31
Other interest income	300.38	252.69
Interest on income tax refund	93.34	3.68
	402.65	267.31
Other income		
Sale of directories, pub. etc.	0.14	0.13
Profit/loss on sale of property, plant and equipment	1.24	0.01
Income from liquidated damages	6.95	8.80
Exchange variation (Net)	0.78	0.51
Bad debts recovered	0.13	0.14
Credit balances written back	45.94	58.72
Rental on quarters/ hostels etc.	17.59	17.23
Rental income from properties	189.88	137.18
Miscellaneous income	20.02	80.70
	282.67	303.42
	685.32	570.73

37. LICENSE FEES EXPENSE

(₹ in crores)

	31 March 2017	31 March 2016
License fees expenses	237.63	213.85
Spectrum charges	41.13	34.26
	278.76	248.12

38. EMPLOYEE BENEFIT EXPENSE*

(₹ in crores)

	31 March 2017	31 March 2016
Salaries, wages allowances & other benefits	2,377.71	2,398.57
Bonus/ex-gratia	0.01	(0.00)
Medical expenses and allowances	90.61	86.68
Pension contribution		
i) Group employees	116.70	123.01
ii) Others	1.36	0.92
Leave encashment		
i) Group employees	146.31	167.27

	31 March 2017	31 March 2016
ii) Others	0.94	0.54
Contribution to gratuity fund	12.00	(5.67)
Contribution to provident & other funds	67.49	66.25
Staff welfare expenses	0.81	0.90
	2,813.95	2,838.47
Less : Allocation to capital/CWIP	(162.93)	(195.90)
	2,651.02	2,642.58

Notes:

(a) *net of capitalisation

(b) For descriptive notes on disclosure of defined benefit obligation, refer note 49 - Employee benefit obligations.

39. FINANCE COSTS*

	(₹ in crores)	
	31 March 2017	31 March 2016
Interest on		
- term loans	242.54	300.18
- cash credit facility	677.16	502.06
- short-term loan facility	156.83	232.84
- bonds	276.13	272.08
- customer deposits	13.33	0.38
- others	52.68	14.01
Other finance costs		
- commitment fees	29.80	29.80
	1,448.47	1,351.34

* Net of capitalisation

40. DEPRECIATION AND AMORTISATION EXPENSE**

	(₹ in crores)	
	31 March 2017	31 March 2016
Depreciation on		
Property, plant and equipment	771.29	836.23
Investment properties	2.12	1.65
Amortisation on		
Intangible assets	339.89	340.32
	1,113.30	1,178.20

41. OTHER EXPENSES

	(₹ in crores)	
	31 March 2017	31 March 2016
Power, fuel & water	266.81	297.90
Rent	94.15	87.39
Repairs to buildings	31.64	20.96
Repairs to machinery	138.50	124.08
Repairs others	34.79	31.03
Insurance	5.61	5.35
Rates and taxes	65.87	57.00
Travelling & conveyance	0.62	0.54
Postage, telegram & telephones	8.70	9.35
Printing & stationery	6.52	7.16
Vehicle maintenance expenses	0.65	0.73
Vehicle running expenses	1.60	1.97
Vehicle hiring expenses	9.49	8.37
Advertisement & promotional expenses	5.30	3.95

	31 March 2017	31 March 2016
Bad debts written off	26.83	34.12
Legal & Professional expenses	4.71	4.23
Seminar and training charges	1.16	2.68
Security service expenses	25.18	26.58
Miscellaneous expenses	47.94	46.40
Loss on sale of assets	6.05	4.61
Internet charges	14.81	16.86
Commission	22.28	26.60
Net loss on foreign currency transactions and translations	0.05	0.09
Provision for doubtful debts	36.30	48.76
Provision for obsolete inventory	1.89	1.13
Provision for doubtful claims	21.18	2.99
Provision for doubtful recovery of investment	-	40.00
Allocation to CWIP	(25.07)	(35.21)
	853.54	875.63

42. TAX EXPENSE

(₹ in crores)

	31 March 2017	31 March 2016
Current tax (including taxes earlier years)	(4.31)	(492.11)
Deferred tax	0.80	0.96
	(3.51)	(491.15)

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 2017	31 March 2016
Accounting loss before tax	(2,936.05)	(1,945.86)
At country's statutory income tax rate of 34.608% (31 March 2016: 34.608%)	(1,016.11)	(673.42)
Adjustments in respect of taxes earlier years	(4.31)	(492.11)
Difference in property, plant and equipment as per books and Income Tax Act, 1961	146.03	127.45
Non-deductible expenses for tax purposes	58.54	105.14
Employee benefits allowed on payment basis	8.77	66.37
Others	0.80	0.96
Deferred tax not created on unabsorbed losses	806.28	865.61
	-	-

43. OTHER COMPREHENSIVE INCOME

(₹ in crores)

	31 March 2017	31 March 2016
(A) Items that will not be reclassified to profit or loss		
Re-measurement gains (losses) on defined benefit plans	(29.49)	(5.82)
Income tax effect	-	-
	(29.49)	(5.82)
(B) Items that will be reclassified to profit or loss		
Foreign currency translation of foreign operations	(3.34)	7.62
Income tax effect	-	-
	(3.34)	7.62
Other comprehensive loss for the year	(32.83)	1.79

44. EARNINGS/ (LOSS) PER EQUITY SHARE

The Group'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 2017	31 March 2016
Net loss attributable to equity shareholders		
Continuing operations	(2,936.05)	(2,261.81)
Discontinued operation	-	315.95
Net Loss attributable to equity holders of the Company	(2,936.05)	(1,945.86)
Loss per equity share for loss from continuing operations attributable to owners of Mahanagar Telephone Nigam Limited :		
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 (₹)	(46.60)	(35.90)
Earnings per equity share for profit from discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :		
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 (₹)	-	5.02
loss per equity share for loss from continuing and discontinued operations attributable to owners of Mahanagar Telephone Nigam Limited :		
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 (₹)	(46.60)	(30.89)

45. FAIR VALUE DISCLOSURES

I Fair values hierarchy

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped 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

The Group does not have any financial instruments which are measured at Fair value either through statement of profit and loss or through other comprehensive income.

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 2017		31 March 2016		01 April 2015	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets							
Loans	Level 3	2,683.98	3,502.06	3,859.07	3,908.59	3,959.57	4,833.15
Total financial assets		2,683.98	3,502.06	3,859.07	3,908.59	3,959.57	4,833.15
Long term borrowings (including debentures)	Level 3	6,970.74	7,474.79	4,522.41	5,650.48	5,472.06	5,590.88
Finance lease obligations	Level 3	40.57	51.79	40.56	49.74	40.56	45.19
Other financial liabilities	Level 3	2,050.61	2,081.46	2,034.37	2,083.70	1,898.50	2,051.20
Total financial liabilities		9,061.92	9,608.04	6,597.34	7,783.92	7,411.11	7,687.28

The management assessed that cash and cash equivalents, trade receivables, other receivables, trade payables and other current financial liabilities 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:

- 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.
- 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 nonperformance risk as at 31 March 2016 was assessed to be insignificant.

46. FINANCIAL RISK MANAGEMENT

I Financial instruments by category

(₹ in crores)

Particulars	31 March 2017			31 March 2016			01 April 2015		
	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost	FVTPL	FVOCI	Amortised cost
Financial assets									
Investments*	-	-	-	-	-	-	-	-	40.00
Loans	-	-	5,495.38	-	-	4,813.49	-	-	4,128.22
Other financial assets	-	-	864.23	-	-	784.06	-	-	848.10
Trade receivables	-	-	491.79	-	-	494.28	-	-	472.11
Cash and cash equivalents	-	-	98.07	-	-	168.76	-	-	84.11
Other bank balances	-	-	16.70	-	-	22.27	-	-	13.45
Total	-	-	6,966.17	-	-	6,282.87	-	-	5,586.00
Financial liabilities									
Borrowings	-	-	14,921.55	-	-	12,486.78	-	-	12,108.11
Trade payable	-	-	437.98	-	-	398.92	-	-	320.33
Other financial liabilities	-	-	3,315.82	-	-	3,935.43	-	-	3,109.40
Total	-	-	18,675.35	-	-	16,821.12	-	-	15,537.83

*Investment in equity instrument of joint ventures and associates have been accounted using equity method of accounting 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	Company 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 group) 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 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 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 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 2017	31 March 2016	01 April 2015
A: Low	Loans	5,495.38	4,813.49	4,128.22
	Investments	-	-	40.00
	Other financial assets	843.84	783.70	840.31
	Other bank balances	37.10	22.63	21.25
	Cash and cash equivalents	89.64	160.98	84.11
B: Medium	Trade receivables	491.79	494.28	472.11
D: Doubtful	Trade receivables	789.09	729.35	709.35
	Investments	100.00	100.00	60.00
	Loans	16.61	16.84	12.96
	Cash and cash equivalents	0.56	1.13	1.13

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 Group 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 2017		31 March 2016		01 April 2015	
	Basic & other services	Cellular	Basic & other services	Cellular	Basic & other services	Cellular
Gross amount of trade receivables where no default (as defined above) has occurred	7,427.06	33.28	7,681.05	38.01	7,730.70	44.19
Expected loss rate	0.83%	10.86%	0.83%	12.50%	0.74%	13.06%
Expected credit loss(loss allowance provision)	61.56	3.62	63.72	4.75	56.87	5.77

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 2015	(772.00)
Add (Less): Changes in loss allowances due to Assets originated or purchased	(25.83)
Loss allowance on 31 March 2016	(797.83)
Add (Less): Changes in loss allowances due to Assets originated or purchased	(56.07)
Loss allowance on 31 March 2017	(853.90)

Cash and cash equivalents and Other financial assets measured at amortised cost

Company provides for expected credit losses on financial assets other than trade receivables by assessing individual financial instruments for expectation of any credit losses. Since this category includes receivables of varied natures and purpose, there is no trend that the company can draw to apply consistently to entire population. For such financial assets, the Company's policy is to provide 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 owing to the low credit risk nature for such assets since:

- Cash and cash equivalents and bank deposits made with banks: Group has a diversified portfolio with recognised banks having high credit rating
- Other financial assets measured at amortised cost: Group has secured its recovery through bank guarantees or other form of security

However, 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.

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings 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 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

(₹ in crores)					
31 March 2016	Less than 1 year	1-3 year	3-5 year	More than 5 years	Total
Non-derivatives					
Long term borrowings (including bonds)	1,362.97	2,010.38	360.80	3,340.80	7,074.95
Finance lease obligations	4.96	9.92	9.92	378.89	403.69
Short term borrowings	7,923.81	-	-	-	7,923.81
Trade payable	398.92	-	-	-	398.92
Other financial liabilities	1,265.21	-	-	2,392.26	3,657.47
Total	10,955.86	2,020.30	370.71	6,111.95	19,458.83

(₹ in crores)					
01 April 2015	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Non-derivatives					
Borrowings	7,044.04	2,978.23	592.49	3,521.19	14,135.95
Finance lease obligations	4.96	9.92	9.92	383.85	408.65
Short term borrowings	6,595.49	-	-	-	6,595.49
Trade payable	437.98	-	-	-	437.98
Other financial liabilities	1,265.21	-	-	2,229.46	3,494.67
Total	15,347.68	2,988.14	602.41	6,134.51	25,072.74

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 groups exposure to foreign currency risk at the end of the reporting period expressed in ₹, are as follows

(₹ in crores)			
Particulars	31 March 2017 USD	31 March 2016 USD	01 April 2015 USD
Financial assets	6.61	5.70	6.78
Financial liabilities	15.11	11.23	15.44
Net exposure to foreign currency risk assets/(liabilities)	(8.50)	(5.53)	(8.66)

Sensitivity

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

(₹ in crores)		
Particulars	31 March 2017	31 March 2016
USD sensitivity		
INR/USD- increase by 500 bps (31 March 2016 500 bps)*	(0.42)	(0.28)
INR/USD- decrease by 500s bp (31 March 2016 500 bps)*	0.42	0.28

* Holding all other variables constant

(i) Foreign currency risk exposure in EURO:

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

(₹ in crores)

Particulars	31 March 2017 EURO	31 March 2016 EURO	01 April 2015 EURO
Financial assets	2.33	3.54	7.64
Financial liabilities	0.19	0.21	0.14
Net exposure to foreign currency risk assets/(liabilities)	2.13	3.33	7.50

Sensitivity

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

(₹ in crores)

Particulars	31 March 2017	31 March 2016
USD sensitivity		
INR/USD- increase by 500 bps (31 March 2016 500 bps)*	0.11	0.17
INR/USD- decrease by 500s bp (31 March 2016 500 bps)*	(0.11)	(0.17)

* Holding all other variables constant

b) Interest rate risk

Liabilities

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. At 31 March 2017, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates.

Interest rate risk exposure

Below is the overall exposure of the Group to interest rate risk:

(₹ in crores)

Particulars	31 March 2017	31 March 2016	01 April 2015
Variable rate borrowing	12,178.22	10,418.81	9,090.49
Fixed rate borrowing	2,977.76	2,977.41	2,977.06
Total borrowings	15,155.98	13,396.21	12,067.55

Sensitivity

Below is the sensitivity of profit or loss and equity changes in interest rates.

(₹ in crores)

Particulars	31 March 2017	31 March 2016
'Interest sensitivity'		
Interest rates – increase by 50 bps basis points	20.81	11.36
Interest rates – decrease by 50 bps basis points	(20.81)	(11.36)

* Holding all other variables constant

ii) Assets

The Group'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.

47. 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 2017	31 March 2016	01 April 2015
Net debt	7,286.31	5,512.97	5,512.62
Total equity	(3,373.85)	(405)	1,539.09
'Net debt to equity ratio'	-	-	358.17%

The Company has not declared dividend in current year or previous year.

*Owing to equity being negative as at 31 March 2017 and 31 March 2016, debt to equity ratio has been shown as nil.

48. GROUP INFORMATION

(a) Information about subsidiaries

The group's subsidiaries at 31 March 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of the entity	Principal activities	Country of incorporation	% equity Interest		
			31 March 2017	31 March 2016	01 April 2015
Mahanagar Telephone Nigam Limited	Telecommunication service	India	100	100	100
Millenium Telecom Limited	Information technology/data	India	100	100	100
Mahanagar Telephone (Mauritius) Ltd	Telecommunication service	Mauritius	100	100	100
MTML Data Limited*	Telecommunication service	Mauritius	100	100	100
MTML International Limited*	Telecommunication service	Mauritius	100	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 group as at 31 March 2017. The entities listed below have share capital consisting solely of equity shares, which are held directly by the group. 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

(i) **There are no commitments and contingent liabilities in respect of associates and joint ventures for which the Company 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 group. 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 2017	31 March 2016	01 April 2015	31 March 2017	31 March 2016	01 April 2015
Current assets				802.83	805.77	1,123.77
Cash and cash equivalents	0.20	0.10	0.02	6.42	4.22	3.24
Other assets	40.21	66.25	30.06	0.68	1.47	1.06
Total current assets	40.40	66.35	30.08	7.09	5.69	4.30
Total non-current assets	19.81	47.04	54.20	1.81	2.05	2.10
Current liabilities						
Financial liabilities(excluding trade payables)	-	-	-	0.53	0.16	0.16
Other liabilities	33.72	55.66	39.00	1.32	1.35	1.22
Total current liabilities	33.72	55.66	39.00	1.84	1.51	1.38
Non-current liabilities						
Financial liabilities(excluding trade payables)	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Total non-current liabilities	-	-	-	-	-	-
Net assets	26.49	57.74	45.29	7.06	6.23	5.01

Reconciliation to carrying amounts

(₹ in crores)

	United Telecommunications Limited		MTNL STPI IT Services Limited	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Opening net assets	57.74	45.29	5.01	-
Profit for the year	(47.18)	(42.51)	1.38	1.22
Other comprehensive income	-	-	-	-
Dividends paid	-	-	-	-
Closing net assets	26.49	57.74	6.40	1.22
Group's share in %	26.68%	26.68%	50.00%	50.00%
Group's share in Indian Rupees	7.07	15.41	3.20	0.61

	United Telecommunications Limited		MTNL STPI IT Services Limited	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Less: Contribution from other shareholders not adjusted in equity method	(27.97)	(23.72)	-	-
Add: Share of loss limited to carrying value of investment	20.90	8.31	-	-
Carrying amount	(0.00)	(0.00)	3.20	0.61

Summarised statement of profit and loss

(₹ in crores)

	United Telecommunications Limited		MTNL STPI IT Services Limited	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
Revenue	6.14	6.91	5.40	5.62
Interest income	-	-	0.30	0.27
Depreciation and amortisation	15.84	8.51	0.32	0.44
Interest expense	-	1.43	-	-
Income tax expense	-	-	0.66	0.61
Profit from continuing operations	(47.18)	(42.51)	1.38	1.22
Profit from discontinued operations	-	-	-	-
Profit for the year	(47.18)	(42.51)	1.38	1.22
Other comprehensive income	-	-	-	-
Total comprehensive income	(47.18)	(42.51)	1.38	1.22
Dividends received	-	-	-	-

49. EMPLOYEE BENEFIT OBLIGATIONS

(₹ in crores)						
Particulars	31 March 2017		31 March 2016		01 April 2015	
	Current	Non-current	Current	Non-current	Current	Non-current
Gratuity	-	-	-	-	-	-
Compensated absences (unfunded)	159.93	957.17	147.46	943.60	124.42	914.01
Total	159.93	957.17	147.46	943.60	124.42	914.01

Gratuity

The Group 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 employee's 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 Group makes contributions to recognised debt base funds in India. The Group 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 ₹ 19.36 crores (previous year - ₹ 20.28 crores). The weighted average duration of the defined benefit obligation as at 31 March 2017 is 7 to 8 years (31 March 2016: 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 2017	31 March 2016
Current service cost	20.28	20.37
Interest cost	27.22	25.89
Actuarial loss/(gain) recognised during the year	(29.49)	5.82
Expected return on planned assets	(63.83)	(64.46)
Amount recognised in the statement of profit and loss	(45.83)	(12.38)

(ii) Movement in the liability recognised in the balance sheet is as under:

(₹ in crores)

Description	31 March 2017	31 March 2016	01 April 2015
Present value of defined benefit obligation as at the start of the year	342.33	323.62	306.27
Current service cost	20.28	20.37	18.83
Interest cost	27.22	25.89	26.04
Actuarial loss/(gain) recognised during the year	32.06	6.07	(35.35)
Benefits paid	(41.17)	(33.62)	7.83
Present value of defined benefit obligation as at the start of the year	380.72	342.33	323.62

(iii) Movement in the plan assets recognised in the balance sheet is as under:

(₹ in crores)

Description	31 March 2017	31 March 2016	01 April 2015
Fair Value of plan assets at beginning of year	802.83	805.77	1,123.77
Expected Return on plan assets	63.83	64.46	89.90
Transfer To/from MTNL	(422.31)	(64.30)	(380.64)
Receivable from MTNL	13.17	-	
Premium redemption reserve	2.72	(3.35)	(11.72)
Actuarial gain/(loss) on plan assets	2.56	0.25	(15.54)
Fair Value of plan Assets at the end of the year	462.80	802.83	805.77
Actual return on plan assets	66.39	64.71	25.60

(iv) Breakup of actuarial (gain)/loss:

Description	31 March 2017	31 March 2016
Actuarial (gain)/loss on arising from change in demographic assumption	-	-
Actuarial (gain)/loss on arising from change in financial assumption	11.27	0.84
Actuarial (gain)/loss on arising from experience adjustment	20.78	5.23
Total actuarial (gain)/loss	32.06	6.07

(v) **Actuarial assumptions**

Description	31 March 2017	31 March 2016	01 April 2015
Discount rate	7.25%	7.95%	8.00%
Future Basic salary increase	3.50%	3.50%	3.50%
Future DA increase	3.55%	4.00%	4.00%
Expected rate of return on Plan Assets	11.11%	8.34%	8.00%

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 2017	31 March 2016	01 April 2015
Impact of the change in discount rate			
Present value of obligation at the end of the year	380.72	342.33	323.62
- Impact due to increase of 0.50 %	(8.77)	(8.18)	(7.70)
- Impact due to decrease of 0.50 %	9.24	8.61	8.11
Impact of the change in salary increase			
Present value of obligation at the end of the year	380.72	342.33	323.62
- Impact due to increase of 0.50 %	9.54	8.95	8.46
- Impact due to decrease of 0.50 %	(9.12)	(8.57)	(8.10)

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 prior period.

(vii) **Maturity profile of defined benefit obligation**

(₹ in crores)		
Description	31 March 2017	31 March 2016
Within next 12 months	44.28	50.56
Between 1-5 years	163.07	201.98
Between 5-10 years	94.96	91.18
Beyond 10 years	40.01	37.00

B. Leave encashment (funded)

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.

(i) **Amount recognised in the statement of profit and loss is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Current service cost	40.82	64.60
Interest cost	86.74	83.07
Actuarial loss/(gain) recognised during the year	36.97	20.64
Amount recognised in the statement of profit and loss	164.53	168.31

(ii) **Movement in the liability recognised in the balance sheet is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Present value of defined benefit obligation as at the start of the year	1,091.05	1,038.43
Current service cost	40.82	64.60
Interest cost	86.74	83.07
Actuarial loss/(gain) recognised during the year	36.97	20.64
Benefits paid	(138.48)	(115.69)
Present value of defined benefit obligation as at the start of the year	1,117.10	1,091.05

(iii) **Movement in the plan assets recognised in the balance sheet is as under:**

(₹ in crores)

Description	31 March 2017	31 March 2016
Fair Value of plan assets at beginning of year	-	-
Expected Return on Plan Assets	17.05	-
Transfer To/from MTNL	428.91	-
Benefit Paid	-	-
Receivable from MTNL	-	-
Premium Redemption Reserve	-	-
Actuarial gain/(loss) on Plan Assets	1.14	-
Fair Value of Plan Assets at the end of the year	447.10	-
Actual return on plan assets	18.18	-

(iv) **Actuarial assumptions**

Description	31 March 2017	31 March 2016	01 April 2015
Discount rate	7.25%	-	-
Future Basic salary increase	3.50%	-	-
Future DA increase	3.55%	-	-
Expected rate of return on Plan Assets	8.48%	-	-

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.

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 2017	31 March 2016
Employer contribution to provident fund*	67.49	67.24
Leave encashment contribution for DoT employees**	0.94	0.54
Pension contribution for DoT employees***	1.36	0.92
Pension contribution for company employees****	116.70	123.03

* Mentioned as contribution to CPF ** Mentioned as leave encashment - Others *** Mentioned as pension contribution - Others **** Mentioned as pension contribution - Company employees

D. Category of investment in Gratuity trust and leave encashment:

(₹ in crores)						
Particulars	31 March 2017		31 March 2016		01 April 2015	
	Gratuity	Leave encashment	Gratuity	Leave encashment	Gratuity	Leave encashment
Government of India Securities	16.99	-	259.99	-	299.00	-
Corporate bonds	191.97	-	203.33	-	192.16	-
State government securities	204.49	-	305.38	-	278.80	-
Mutual funds	2.86	-	2.86	-	-	-
Others	46.49	-	31.27	-	35.81	-
LIC	-	447.09	-	-	-	-
Total	462.80	447.09	802.83	-	805.77	-

- E. Gratuity and Leave encashment 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.
- F. Mortality in service is assumed on the basis of LIC (1994-96) Ultimate table for mortality in service and LIC (1996-98) table.
- G. 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.

50. RELATED PARTY DISCLOSURES

Related parties where control exists:

- i Company having substantial interest: nil
- ii 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

iii Joint ventures

MTNL STPI IT Services Limited ('MSISL')

iv Associates

United Telecommunications Limited ('UTL')

(v) Summary of Significant transactions with related parties:

(₹ in crores)

Particulars	For the year ended	
	31 March 2017	31 March 2016
Remuneration to Key Managerial Personnel	1.42	1.07

(vi) Summary of significant outstanding balances with related parties:

(₹ in crores)

Particulars	31 March 2017		31 March 2016		01 April 2015	
	MSISL	UTL	MSISL	UTL	MSISL	UTL
Loans	-	-	-	-	0.28	-
Share capital	2.28	35.85	2.28	35.85	2.28	35.85

51. DETAILS OF CONTINGENT LIABILITIES, PENDING LITIGATIONS AND OTHER MATTERS:

Related parties where control exists:

(₹ in crores)

	Description	31 March 2017	31 March 2016	01 April 2015
a	Income Tax Demands disputed and under appeal ^	399.79	579.25	774.87
b	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	816.95	456.14	478.90
c	(i) Interest to DDA on delayed payments/pending court cases/Tax cases	Amount Indeterminate	Amount Indeterminate	Amount Indeterminate
	(ii) Stamp duty payable on land and buildings acquired by the company	Amount Presently Unascertainable	Amount Presently Unascertainable	Amount Presently Unascertainable
d	Claims against the company not acknowledged as Debts (refer note 62)	3,205.71	3,227.18	3,227.18
e	Pending arbitration/court cases	2,305.13	1,495.69	1,113.43
f	Bank guarantee & Letter of Credit	118.27	118.14	110.60
g	Directory dispute	49.04	49.04	285.83
h	Pending court cases against land Acquisition	4.61	4.61	4.61
i	License Fee related contingent liability w.r.t. BSNL charges paid on netting basis	140.36	140.36	140.36
j	BTS related penalty imposed by DoT	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.

52. 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 2017	31 March 2016	01 April 2015
Property, plant and equipment	344.30	14.13	13.35

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.

53. 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 ₹ 94.15 crores (31 March 2016: ₹ 87.39 crores).

B. Finance leases – Assets given on lease

The Group has leased land under finance lease arrangements. As at 31 March 2017, the net carrying amount of the leasehold land was ₹ 294.92 crores (31 March 2016: ₹ 294.35 crores and 01 April 2015: ₹ 298.26 crores).

(₹ in crores)

	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
	31 March 2016			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	391.09	416.89
Finance charges	0.52	6.39	364.77	371.68
Net present values	4.64	14.25	26.32	45.21
	01 April 2015			
	Minimum lease payments due			
	within 1 year	1 to 5 years	after 5 years	Total
Lease payments	5.16	20.64	396.25	422.05
Finance charges	0.52	6.39	369.94	376.85
Net present values	4.64	14.25	26.31	45.20

54. 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)

Particulars	31 March 2017					31 March 2016				
	Basic & other Services	Cellular	Unal-locable	Inter segment adjustment	Total	Basic & other Services	Cellular	Unal-locable	Inter segment adjustment	Total
Revenue from operations	2,345.17	625.94	4.82	(6.56)	2,969.37	2,526.64	702.17	1.43	(7.08)	3,223.16
Segment Result before interest income, exceptional items, finance cost and tax	(1,370.81)	(543.37)	19.70	-	(1,894.48)	(1,116.82)	(207.32)	(26.41)	-	(1,350.55)
Add: Interest income					402.70					267.30
Less: Finance cost					(1,448.47)					(1,351.34)
Add: Exceptional items					-					-
Add: Share of profit or loss from associates and joint ventures					0.69					(2.42)
Loss before tax					(2,939.56)					(2,437.01)
Less: Tax expense					(3.51)					(491.15)
Loss after tax					(2,936.05)					(1,945.86)
Other comprehensive income/ (loss)					(32.83)					1.79
Total other comprehensive loss					(2,968.88)					1,944.07)

B. Capital employed

(₹ in crores)

Particulars	31 March 2017				31 March 2016				01 April 2015			
	Basic & other Services	Cellular	Unal-locable/ eliminations	Total	Basic & other Services	Cellular	Unal-locable/ eliminations	Total	Basic & other Services	Cellular	Unal-locable/ eliminations	Total
Segment assets (A)	10,010.22	5,819.83	1,863.21	17,693.26	10,664.47	5,888.54	2,119.28	18,672.30	10,671.08	6,469.35	2,145.32	19,285.74
Segment liabilities (B)	6,073.61	13,633.73	1,359.77	21,067.11	6,042.74	12,431.30	603.24	19,077.28	6,019.49	911.33	10,815.82	17,746.64
Capital employed (A-B)	3,936.61	(7,813.90)	503.44	(3,373.85)	4,621.74	(6,542.76)	1,516.04	(404.98)	4,651.58	5,558.02	(8,670.50)	1,539.10

Notes:

- 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 making decisions on resources to be allocated to such segments and assess their performance.
- The company caters to the needs of mainly two metro cities viz. Delhi and Mumbai, wherein the risk and return are not different to each other. As such there are no reportable geographical segments.
- 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.

55. ASSETS PLEDGED AS SECURITY

(₹ in crores)

Particulars	31 March 2017	31 March 2016	01 April 2015
Current			
<i>First charge</i>			
Current investments	-	-	20.00
Trade receivables	491.58	492.01	465.86
Cash and cash equivalents	87.00	154.03	69.85

(₹ in crores)

Particulars	31 March 2017	31 March 2016	01 April 2015
Other bank balances	0.60	8.63	0.94
Loans	2,811.87	957.78	168.65
Other financial assets	843.72	783.62	844.80
Other currents assets	683.52	751.59	820.04
Total current assets pledged as security	4,918.29	3,147.66	2,390.14
Non-current			
<i>Pari-passu charge</i>			
Apparatus & plant	2,120.09	2,432.22	2,780.92
Vehicle	1.87	2.26	2.36
Furniture & fixtures	12.12	15.48	19.12
Office machinery & equipment	1.97	1.95	2.11
Electrical appliances	13.68	16.26	19.55
Computers	17.75	30.15	42.79
Total non-currents assets pledged as security	2,167.48	2,498.32	2,866.86
Total assets pledged as security	7,085.77	5,645.98	5,256.99

56. DISCLOSURE UNDER THE MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT ACT, 2006 ("MSMED ACT, 2006") IS AS UNDER:

(₹ in crores)

	Particulars	31 March 2017	31 March 2016	01 April 2015
(i)	<i>the principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year;</i>	Nil	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	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	Nil
(iv)	the amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	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	Nil

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.

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	104.05%	(3,510.44)	100.17%	(2,941.08)	89.83%	(29.49)	100.06%	(2,970.57)
Indian subsidiaries								
Millenium Telecom Limited	-0.14%	4.82	-0.01%	0.40	0.00%	-	-0.01%	0.40
Foreign subsidiaries								
Mahangar Telephone (Mauritius) Limited	-3.73%	125.76	-0.13%	3.96	10.17%	(3.34)	-0.02%	0.62
MTML Data Limited	-0.01%	0.36	0.00%	(0.01)	0.00%	-	0.00%	(0.01)
MTML International Limited	-0.05%	1.83	0.00%	(0.01)	0.00%	-	0.00%	(0.01)
Associates (Investment as per the equity method)								
Foreign								
United Telecom Limited	0.00%	-	0.00%	-	0.00%	-	0.00%	-
Joint venture (Investment as per the equity method)								
Indian								
MTNL STPI IT Services Limited	-0.11%	3.81	-0.02%	0.69	0.00%	-	-0.02%	0.69
Total	100.00%	(3,373.85)	100.00%	(2,936.05)	100.00%	(32.83)	100.00%	(2,968.88)

*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 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.

59 First time adoption of Ind AS

These are the Group's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 March 2017, the comparative information presented in these financial statements for the year ended 31 March 2016 and in the preparation of an opening Ind AS balance sheet at 01 April 2015 (the Company's date of transition). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

A Ind AS optional exemptions

1 Deemed cost for property, plant and equipment and intangible assets

Ind Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 *Intangible Assets*. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

2 Leases

Appendix C to Ind AS 17 requires an entity to assess whether a contract or arrangement contains a lease. In accordance with Ind AS 17, this assessment should be carried out at the inception of the contract or arrangement. Ind AS 101 provides an option to make this assessment on the basis of facts and circumstances existing at the date of transition to Ind AS, except where the effect is expected to be not material.

The Company has elected to apply this exemption for such contracts/arrangements.

3 Foreign currency translation reserve

The Group has deemed the cumulative translation differences for foreign operations at the date of transition to be zero. Adjustments to give effect to this are recorded against opening equity. After the date of transition, translation differences arising on translation of foreign operations are recognised in other comprehensive income and included in a separate translation reserve within equity.

4 Arrangements containing lease

The Group has elected to use facts and circumstances existing at the date of transition to determine whether an arrangement contains a lease. No such assessment was done under previous GAAP.

5 Assets held for sale

The company has elected to measure non-current assets held for sale at the lower of carrying value and fair value less cost to sell at the date of transition and recognize directly in retained earnings any difference between that amount and the carrying amount of those assets at the date of transition.

6 Provision for decommissioning obligation

The Company shall account for the decommissioning, restoration or similar liabilities in the cost of the asset to which it related at the date of transition. The adjusted depreciable amount of the asset shall then be depreciated prospectively over its remaining useful life.

B Ind AS mandatory exemptions

1 Estimates

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 01 April 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP.

2 Classification and measurement of financial assets and liabilities

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition.

Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess elements of modified time value of money i.e. the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Applying a requirement is impracticable when the entity cannot apply it after making every reasonable effort to do so. It is impracticable to apply the changes retrospectively if:

- a) The effects of the retrospective application or retrospective restatement are not determinable;
- b) The retrospective application or restatement requires assumptions about what management's intent would have been in that period;

The retrospective application or retrospective restatement requires significant estimates of amounts and it is impossible to distinguish objectively information about those estimates that existed at that time.

3 De-recognition of financial assets and liabilities

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

C Reconciliations between previous GAAP and Ind AS

Ind AS 101 requires an entity to reconcile equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

1. Reconciliation of total equity as at 31 March 2016 and 01 April 2015

	Notes	31 March 2016	01 April 2015
Total equity (shareholder's funds) as per previous GAAP		19	2,059
Impact of componentization of property, plant and equipment recognised in retained earnings		-	(49)
		19	2,009
Adjustments:			
(i) Measurement of financial assets and liabilities at amortised cost (including related impact on revenue/ employee cost/ other expenses)	Note-1	241.33	2.97
(ii) Adjustment of loss allowance for expected credit losses on financial assets measured at amortised cost	Note - 2	(68.47)	(62.64)

	Notes	31 March 2016	01 April 2015
(iii) Adjustments in revenue for fair valuation of consideration over expected credit period (net of adjustment in license fees)	Note – 3	(720.48)	(635.21)
(iv) Adjustment of provision for decommissioning obligation at amortised cost (including impact on depreciation of adjustment in fixed assets)	Note – 4	(8.62)	(7.13)
(v) Prior period adjustment for ascertained employee benefit liabilities and their measurement at present value	Note – 5	477.63	508.28
(vi) Reversal of proportionate consolidation for a joint venture, now classified as an associate	Note – 6	(15.42)	(9.05)
(vii) Other adjustments	Note – 7	(330.09)	(267.60)
Total adjustments		(424.13)	(470.40)
Total equity as per Ind AS		(404.97)	1,539.09

2. Reconciliation of total comprehensive income for the year ended 31 March 2016

	Notes	31 March 2016
Profit after tax as per previous GAAP		(2,012.24)
Adjustments:		
(i) Measurement of financial assets and liabilities at amortised cost (including related impact on revenue/ employee cost/ other expenses)	Note–1	238.36
(ii) Adjustment of loss allowance for expected credit losses on financial assets measured at amortised cost	Note – 2	(5.83)
(iii) Adjustments in revenue for fair valuation of consideration over expected credit period (net of adjustment in license fees)	Note – 3	(85.27)
(iv) Adjustment of provision for decommissioning obligation at amortised cost (including impact on depreciation of adjustment in fixed assets)	Note – 4	(1.50)
(v) Adjustment for measurement of ascertained employee benefit liabilities at present value	Note – 5	(30.65)
(vi) For equity accounted Associate, restriction of loss to extent of investment	Note – 6	8.31
(vii) Remeasurement of defined benefit obligations reclassified to Other comprehensive income (OCI)	Note – 8	5.82
(viii) Other adjustments	Note – 7	(62.88)
Total adjustments		66.38
Profit for the year ended 31 March 2016		(1,945.86)
Other comprehensive income		
Remeasurement of defined benefit obligations		(5.82)
Foreign currency translation of foreign operations		7.62
Total comprehensive income for the year ended 31 March 2016		(1,944.07)

3. Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Indian GAAP and as per Ind AS as at 01 March 2016 is as follows:

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Non-current assets			
Property, plant and equipment	5,595.06	138.16	5,456.90
Capital work-in-progress	101.97	(34.90)	136.87
Investment property	-	(39.59)	39.59
Other intangible assets	4,118.90	0.64	4,118.27

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Loans	9,362.34	5,503.28	3,859.07
Other financial assets	0.36	-	0.36
Deferred tax assets (net)	0.05	0.05	0.01
Non-current tax assets (net)	875.43	57.67	817.77
Other non-current assets	1,893.59	860.08	1,033.50
Total non-current assets	21,947.71	6,482.27	15,465.44
Current assets			
Inventories	68.80	38.50	30.30
Trade receivables	529.94	35.66	494.28
Cash and cash equivalents	161.18	0.20	160.98
Other bank balances	31.99	1.93	30.06
Loans	235.43	(719.01)	954.44
Other financial assets	791.80	8.11	783.69
Other current assets	314.98	(437.48)	752.46
Assets held for sale	-	(0.65)	0.65
Total current assets	2,134.13	(1,072.72)	3,206.85
Total assets	24,081.83	5,409.55	18,672.28
EQUITY AND LIABILITIES			
Equity			
Equity share capital	630.00	-	630.00
Other equity	(610.85)	424.06	(1,034.91)
Total equity	19.15	424.06	(404.91)
Non-current liabilities			
Financial liabilities			
Borrowings	9,058.97	4,496.00	4,562.97
Other financial liabilities	2,299.27	264.90	2,034.37
Long-term provisions	1,720.49	524.21	1,196.28
Deferred tax liabilities (net)	4.51	0.60	3.91
Other non-current liabilities	-	(257.86)	257.86
Total non-current liabilities	13,083.24	5,027.84	8,055.39
Current liabilities			
Financial Liabilities			
Borrowings	7,923.74	(0.06)	7,923.81
Trade payables	357.68	(41.21)	398.89
Other financial liabilities	2,017.26	116.20	1,901.06
Other current liabilities	449.02	(60.30)	509.32
Short term provisions	231.74	(56.99)	288.72
Total current liabilities	10,979.44	(42.36)	11,021.80
Total liabilities	24,062.68	4,985.49	19,077.19
Total equity and liabilities	24,081.83	5,409.55	18,672.28

* These figures have been reclassified/re-grouped to conform the presentation in accordance with Indian Accounting Standards as notified by Ministry of Corporate Affairs under section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules 2015, as amended and other relevant provisions of the Act.

4. Reconciliation of the assets and liabilities presented in the balance sheet prepared as per Indian GAAP and as per Ind AS as at 01 April 2015 is as follows:

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Non-current assets			
Property, plant and equipment	6,113.24	179.21	5,934.03
Capital work-in-progress	134.07	(70.67)	204.75
Investment property	-	(39.38)	39.38
Other intangible assets	4,457.93	0.99	4,456.94
Investments accounted for using the equity method	-	(5.54)	5.54
Investments	20.00	-	20.00
Loans	8,873.56	4,913.99	3,959.57
Other financial assets	7.80	-	7.80
Deferred tax assets (net)	0.03	0.02	0.01
Non-current tax assets (net)	846.71	57.67	789.04
Other non-current assets	2,225.85	809.62	1,416.23
Total non-current assets	22,679.19	5,845.91	16,833.28
Current assets			
Inventories	97.78	65.34	32.44
Current investments	20.00	-	20.00
Trade receivables	496.18	24.07	472.11
Cash and cash equivalents	84.16	0.05	84.11
Other bank balances	15.02	1.57	13.45
Loans	174.61	5.82	168.80
Other financial assets	843.64	3.48	840.16
Other current assets	430.18	(390.70)	820.88
Assets held for sale	-	(0.51)	0.51
Total current assets	2,161.57	(290.89)	2,452.45
Total assets	24,840.75	5,555.02	19,285.74
EQUITY AND LIABILITIES			
Equity			
Equity share capital	630.00	-	630.00
Other equity	1,419.52	510.18	909.34
Share application money pending allotment	9.05	9.05	-
Total equity	2,058.58	519.24	1,539.34
Non-current liabilities			
Financial liabilities			
Borrowings	10,008.97	4,496.35	5,512.62
Other financial liabilities	2,183.18	284.68	1,898.50
Long-term provisions	1,757.22	493.94	1,263.28
Deferred tax liabilities (net)	3.34	0.60	2.74
Other non-current liabilities	-	(292.55)	292.55
Total non-current liabilities	13,952.70	4,983.02	8,969.68

Description	Per Indian GAAP*	Ind AS adjustments	Per Ind AS
Current liabilities			
Financial Liabilities			
Borrowings	6,599.23	3.74	6,595.49
Trade payables	282.99	(37.32)	320.31
Other financial liabilities	1,360.97	150.08	1,210.90
Other current liabilities	394.44	(68.76)	463.21
Short term provisions	191.84	5.04	186.80
Total current liabilities	8,829.47	52.76	8,776.71
Total liabilities	22,782.18	5,035.78	17,746.39
Total equity and liabilities	24,840.75	5,555.02	19,285.74

* These figures have been reclassified/re-grouped to conform the presentation in accordance with Indian Accounting Standards as notified by Ministry of Corporate Affairs under section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules 2015, as amended and other relevant provisions of the Act.

Note – 1

Amortised cost instrument

Under previous GAAP, all financial assets and financial liabilities were carried at cost.

Under Ind AS, certain financial assets and financial liabilities are subsequently measured at amortised cost which involves the application of effective interest method. In applying the effective interest method, an entity identifies fees that are an integral part of the effective interest rate of a financial instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or financial liability. For certain financial liabilities, the fair value of the financial liability at the date of transition to Ind AS has been considered as the new amortised cost of that financial liability at the date of transition to Ind AS.

The aforesaid adjustment has been made for following categories of financial assets and financial liabilities:

- (i) Security deposits received
- (ii) Security deposits paid
- (iii) Long term borrowings (including bonds issued)
- (iv) Employee loans
- (v) Other long term loans and receivables.

Note – 2

Expected credit loss

Under previous GAAP, provision for doubtful debts was recognised based on the estimates of the outcome and of the financial effect of contingencies determined by the judgement of the management of the Company. This judgement was based on consideration of information available up to the date on which the financial statements were approved and included a review of events occurring after the balance sheet date.

Under Ind AS, a loss allowance for expected credit losses is recognised on financial assets carried at amortised cost. Expected loss on individually significant receivables is assessed when they are past due and based on company's historical counterparty default rates and forecast of macro-economic factors. Other receivables have been segmented by reference to the industry 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.

Note – 3

Revenue recognition

Under previous GAAP, the amount of revenue was usually determined by agreement between the parties to the transaction.

Under Ind AS -

(i) Where a Company received any upfront fees (like activation or installation charges) which relate to provision of services over the entire term of customer contract, then such upfront charges shall be deferred and recognised over the contract term or where no term is defined, then over the expected customer relationship period.

(ii) Where the Group provides extended credit period to its customers and realisation of amount receivable is deferred, then the fair value of consideration may be lower than the cash consideration received or receivable. In such cases, when the arrangement effectively constitutes a financing transaction, then revenue shall be recognised by discounting all future receipts using an imputed rate of interest, i.e., rate that discounts future receipts to cash sales price or market rate of interest for instrument with similar terms.

Note – 4

Asset retirement obligation

The Group hires space for installing towers in the wireless business segment. The Group is under obligation to restore the premises to their original condition upon vacation of such premises at the end of lease term. Such obligation for asset restoration is computed and adjusted in the cost of asset as explained above.

Under Ind AS 16, the cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Decommissioning liability is measured at best estimate of cost required to settle the liability, discounted to its present value at the time when asset becomes ready to use, using pre-tax discount rate that reflects market assessment of time value of money between date of capitalisation and time of settlement of such obligation. The adjustment made in fixed assets is depreciated over its expected useful life and interest recognised on corresponding provision using the aforementioned discount rate that accretes the provision to the amount expected to be settled in future.

Note – 5

Employee benefit obligations

The Group ascertained its employee benefit obligations for gratuity and pension towards combined service pension optees. The estimate for such liability was revised based on information that was available at the time when such estimates were made prior to the transition date. Accordingly, this resulted in prior period adjustment for revision of the estimate.

Further, under Ind AS, such long term provisions are required to be recognised at their present value by discounting future expected cash flows to their present value using pre-tax discount rate for similar liabilities. The unwinding of interest cost on such provisions is recognised as finance cost on a periodical basis.

Note – 6

Change in assessment of Joint arrangement to Associate

The Company has made investment in United Telecommunications Limited ('UTL'). Per shareholders' agreement entered into by the Company with other shareholders of UTL, the Company has representation on the board of directors for participation in operational and financial decision making. Accordingly, the Company exercises significant influence and shall be accounted as an Associate in the consolidated financial statements.

The investment had been earlier accounted as a joint venture using proportionate consolidation method in the financial statements prepared under previous GAAP and has now been accounted using equity method of accounting, i.e. at cost of investment adjusted for share in profits or losses (losses to the extent of investment made by the Company) and any distributions made by the investee entity. Consequential difference between proportionate consolidation of net assets and value of investment determined using equity method of accounting has been adjusted in retained earnings.

Note – 7
Other adjustments

Other adjustments include prior period adjustments amounting to ₹. 313.44 crores as at 31 March 2016 (31 March 2015: ₹. 257.23 crores) for transactions that were identified in the year ended 31 March 16 or 31 March 2017 but pertained to earlier periods and accordingly financial statements have been restated for such earlier periods.

Note – 8
Other comprehensive income

Under Ind AS, all items of income and expense recognised in a period should be included in profit or loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit or loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans, foreign exchange differences arising on translation of foreign operations, effective portion of gains and losses on cash flow hedging instruments and fair value gains or (losses) on FVOCI equity instruments. The concept of other comprehensive income did not exist under previous GAAP.

60. Discontinued operations
(a) Description

CDMA Service, which is reported under Cellular Segment as per Ind AS 108 'Operating segments', was discontinued from 01 March 2016 and spectrum used for CDMA services has been surrendered for ₹. 458.04 crores to DoT. As at 31st March 2016, the carrying amount of the assets of CDMA was ₹.23.92 crore (₹.82.59 crores) and its liabilities were ₹.185.77 crores (₹.129.30 crores).

(b) Financial performance and cash flow information

The financial performance and cash flow information presented are for the year ended 31 March 2017 and 31 March 2016.

Particulars	31 March 2017	31 March 2016
Revenue	-	466.52
Expenses	-	(150.57)
Profit before income tax	-	315.95
Income tax expense	-	-
Profit after income tax	-	315.95
Gain on sale of assets after income tax for segment discontinued	-	-
Profit from discontinued operation	-	315.95
Exchange differences on translation of discontinued operations	-	-
Other comprehensive income from discontinued operations	-	315.95
Net cash inflow from operating activities	-	366.80
Net cash inflow (outflow) from investing activities	-	-
Net cash (outflow) from financing activities	-	38.53
Net increase in cash generated from discontinued operation	-	405.33

61 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.

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 23.04.2015 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.
- 64** The Parent had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹ 100 crores during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in five equal installments.

Accordingly, five installments amounting to ₹ 20 crores each, aggregating to ₹ 100 crores have become redeemable, which have not been redeemed by ITI Limited. As per letter No.U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the above cumulative Preference Shares was deferred to 2012-13 onwards in five equal installments. The installments which were due in 2012-13 and 2013-14 have not been paid and necessary provision for the overdue installments has been made. Though in letter of Dept. of Telecom No: 20-37/2012-FAC.II dated 25-4-2014, the Cabinet Committee on Economic Affairs has approved the financial assistance to M/S ITI which includes the grants -in -aid for payment of commitments made by M/S ITI and as funds will be made available after budget 2014-15 is passed and hence repayment issue may be held in abeyance till such time. Subsequently M/S ITI vide letter no: ITI/Corp/Fin/MTNL dated 7 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** Useful life of assets revised in the year 2014-15. However due to computational error in respect of Electrical Installation and ₹ 89.66 crores has been effected in 2015-16 and ₹ 29.20 crores in 2016-17. Depreciation of ₹.49.09 crores on account of assets/component of assets, whose useful life is already exhausted before 01 April 2015, has been adjusted against opening retained earnings.
- 68 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 favor of MTNL, Mumbai and on 31 July 2013 in favor of MTNL, Delhi. The claim and counter claim under arbitration will be accounted for in the year when the ultimate collection/payment of the same becomes reasonably certain.
- M/s. M & N Publications has approached the Bombay & Delhi High Courts against the arbitration awards and MTNL also approached the Bombay & Delhi High Courts for balance amount due.
- 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 Group 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 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.

69 Settlements with BSNL:

- a) The amount recoverable from BSNL is ₹ 5,671.54 crores (previous year ₹ 5,117.82 crore) and amount payable is ₹ 1,941.76 crores (previous year ₹ 2,019.43 crores). The net recoverable of ₹ 3,729.78 crores (previous year ₹ 3,098.39 crores) is subject to reconciliation and confirmation.
- b) Certain claims of BSNL on account of Signaling 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.

70 Subscribers' dues and deposits:

- a) The total balance in the subscribers' deposit accounts, in all the units, is to the tune of ₹ 321.75 crores (previous year ₹ 346.63 crores). Out of this, balance in Delhi Unit amounting ₹ 280.78 crores (previous year ₹ 283.87 crores) is under reconciliation.
 - b) Interest Accrued and Due on the aforesaid subscriber deposit accounts to the tune of ₹ 0.10 crores (previous year ₹ 0.11 crores) is subject to reconciliation with the relevant subsidiary records in Delhi unit.
 - c) Other current liabilities include credits on account of receipts including service tax from subscribers amounting to ₹ 34.58 crores (previous year ₹ 13.79 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.
- 71** The amounts of receivables and payables (including NLD / ILD Roaming operators) are subject to confirmation and reconciliation.
- 72** 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.

- 73** In case of Mumbai Unit, the balances with non-scheduled banks comprise of:

(Amount in ₹)

	Particulars	31 March 2017	31 March 2016	01 April 2015
A	Patan Cooperative Bank Limited	-	27,634	27,634
	(account closed, considered doubtful)	-	(27,634)	(27,634)

B	Indira Sahakari Bank Limited	55,94,189	55,94,189	55,94,189
	(account closed, considered doubtful)	(55,94,189)	(55,94,189)	(55,94,189)
C	The Mogaveera Cooperative Bank Limited	-	35,445	35,445
	(account closed, considered doubtful)	-	(35,445)	(35,445)

74 Settlements with DOT:

- a) Amount recoverable on current account from DOT is ₹ 7,318.54 crores (previous year ₹ 8,109.09 crores) and amount payable is ₹ 54.93 crores (previous year ₹ 49.42 crores). The net recoverable of ₹ 7,263.61 crores (previous year ₹ 8,059.67 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 ₹ 1,091.05 crores up to 31 March 2017 (previous year ₹ 1,038.43 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 Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.
 - d) An amount of ₹ 1,775.54 crores (previous year ₹ 1,946.56 crores) towards GPF contribution is recoverable from DOT as on 31 March 2017. The amount pertains to Group C& D and Group B employees absorbed in MTNL w.e.f. 01 November 1998 and 01 October 2000 respectively.
- 75** 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.
- 76** 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.
- 77** 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 Group. In view of losses, no provision for Bonus/ Exgratia has been made during the year.
- 78** **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).
- 79** There is no delay in transferring amount, required to be transferred, to Investor Education and Protection Fund by the Group.
- 80** 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.
- 81** The Bank Reconciliation Statements as at 31 March 2017 include unmatched/unlinked credits/debits amounting to ₹ 2.33 crore (previous ₹ 3.31 crore) and ₹ 1.04 crore (₹ 3.53 crore) respectively. Reconciliation and follow up with the bank to match/rectify the same is in process.

- 82** The Group has incurred a loss of ₹ 2,936.05 crores during the year under report. Although the net worth continues to be positive at the end of the year, considering the negative net worth resulted at the end of 3rd quarter of the year under report and also the positive net worth at the end of the year being not that tangible, the management has made an assessment of an entity's ability to continue as a going concern. The company has taken up a VRS proposal with the Govt., in the current financial year for voluntary retirement of around 5,312 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 November 1998 and also on 1 October 2000, which has been under active consideration of Govt. of India. On approval and implementation of the scheme, the company is likely to reduce the staff expenses which will help the company to reduce its costs and thereby losses. Besides, the Company has taken for monetization of the lands and buildings of the company which is also under consideration of the Govt. In addition to this, the case for approval for sovereign guarantee cover of ₹ 5,500 crores has also been sent to the Government for the purpose of swapping of long term and short term loans by issuance of Govt. Guaranteed bonds. This debt restructuring would bring down the finance costs. All these cases are under consideration of the Govt. Besides, the CMTS License which was earlier valid up to 10 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.
- 83** The Company has reclassified certain items of assets and liabilities to comply with the requirements of Ind AS. This has no resulting impact on equity and net profit.

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/-
(Nitish Kumar Chugh)
Partner
Membership No. 512742

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

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

Place : New Delhi
Date : 30 May 2017

Annexure to Director's Report (Standalone)

Auditor's Qualifications and reply: (FY. 2016-17)

Sr. No.	Auditor's Report	Reply of Management
1	The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 3729.78 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.	Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation upto the year 2016-17. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled and BSNL paid around ₹ 688.06 crores till date and ₹ 351.07 crs paid by MTNL. As such the issue is under the process of settlement. Further process of settlement also continues in financial year 2017-18. In view of above the impact if any would be not assessable at this stage.
2	The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 7263.61 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.	Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the receivable amounts of ₹ 7263.61 crores includes the GPF (₹ 1775.54 Crs), Excess pension paid from 1-10 2000 (₹295.12 Crs) and Bonds issued in lieu of refund of One Time upfront charges of BWA Spectrum (₹4533.97 Crs) totalling to ₹6604.63 crores which are identified and acknowledged for settlement. In addition to the requests made to DOT for reconciliation and confirmation of balance claims of ₹ 658.98 crs shown by MTNL in the books for the year 2016-17 which includes claim on account of bonds to the tune of ₹431 crores which is in progress in D.O.T. In view of above there will be almost no impact and the same if any is not assessable at this point of time.
3	Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.	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 already initiated process of reconciliation.

Sr. No.	Auditor's Report	Reply of Management
4	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.	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 direct allocable costs, wherever it is possible and to capture the same. As the issue is still under deliberation , overheads 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 assessable.
5	Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to 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	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 31.3.2017 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. As such testing is being done at the end of each year and there is no impairment according to the company's understanding. In view of above the impact is not assessable.
6	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.	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 in case of NLD and ILD operators theirs dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them as it is a bilateral process with acceptance for +/- 2% correction factors. Since the payables and receivables are settled as stated above and also the same is a continuous process, there is no impact otherwise and wherever required necessary adjustments are

Sr. No.	Auditor's Report	Reply of Management
		also being made. Although no specific confirmation is taken, all the bills issued by MTNL show outstanding including details of such outstanding old bills to subscribers as a part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate as well as normal debtors/receivables. As regards payables, the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arise as it is as per contractual obligations. In view of above, in general there is no impact and assessment of any impact also not ascertainable.
7	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.	The dues of other operators are not provided like other debts as they are based on the interconnect 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 been done as per the policy. Since the provision in respect of dues of operators is on a different footing in view of bilateral agreements they cannot 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 operators. In view of above the impact is not assessable.
8	(a) In Delhi Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on Standalone IND AS financial statements cannot be ascertained and quantified at present. (b) Unlinked credit of ₹ 36.91 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated.	(a) The reconciliation is almost completed and one area is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process. In view of above the impact is not assessable. (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 the same will be reconciled in due course of time.

Sr. No.	Auditor's Report	Reply of Management
9	In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the Standalone IND AS financial statements cannot be ascertained and quantified.	Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/ international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date and there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit where as at Mumbai unit the same is already done. As such there is no such possibility for quantification and on materiality aspect also there is no issue. In view of above the impact is not assessable.
10	Property, Plant and Equipment are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the 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 capitalised 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 reduced to by ₹ 225.27 crs as at 31-3-17 despite addition of ₹ 362.33 crs in current year to the opening CWIP of ₹ 102.85 crs. The net WIP as at 31.03.2017 excluding CWIP of inventory is ₹ 239.91 cr. In view of above and the ongoing process of capitalisation of old to oldest WIP management do not expect that there would be any impact which is also thereby not assessable 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 amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the 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 or done. As such there is no impact expected due to the classification. In view of above the impact is not assessable.

Sr. No.	Auditor's Report	Reply of Management
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 licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. Department of telecom 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. 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 operators and as when 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 also demanding thereafter. Hence the issue gets resolved on final decisions of govt. In view of above the impact is not assessable.

Annexure to Director's Report (Consolidated)

Auditor's Qualifications and reply:(FY. 2016-17)

Sr. No.	Auditor's Report	Reply of Management
1	The Holding Company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 3729.78 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.	Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation upto the year 2016-17. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled and BSNL paid around ₹ 688.06 crores till date and ₹ 351.07 crs paid by MTNL. As such the issue is under the process of settlement. Further process of settlement also continues in financial year 2017-18 In view of above the impact if any would be not assessable at this stage.
2	The Holding Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 7263.61 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.	Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the receivable amounts of ₹ 7263.61 crores includes the GPF (₹ 1775.54 Crs), Excess pension paid from 1-10 2000 (₹295.12 Crs) and Bonds issued in lieu of refund of One Time upfront charges of BWA Spectrum (₹4533.97 Crs) totalling to ₹6604.63 crores which are identified and acknowledged for settlement. In addition to the requests made to DOT for reconciliation and confirmation of balance claims of ₹ 658.98 crs shown by MTNL in the books for the year 2016-17 which includes claim on account of bonds to the tune of ₹431 crores which is in progress in D.O.T. In view of above there will be almost no impact and the same if any is not assessable at this point of time.
3	In respect of Holding Company, up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Holding Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of ₹ 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.	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 already initiated process of reconciliation.

Sr. No.	Auditor's Report	Reply of Management
4.	The Holding Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 “Property, Plant and Equipment” specified 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	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 direct allocable costs, wherever it is possible and to capture the same. As the issue is still under deliberation , overheads 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 assessable.
5	In respect of Holding Company, except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 “Impairment of Assets” specified under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Holding Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.	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 31.3.2017 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. As such testing is being done at the end of each year and there is no impairment according to the company's understanding. In view of above the impact is not assessable.
6	In respect of Holding Company, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Consolidated IND AS financial statements is not ascertainable and quantifiable.	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 in case of NLD and ILD operators theirs dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them as it is a bilateral process with acceptance for +/- 2% correction factors. Since the payables and receivables are settled as stated above and also the same is a continuous process, there is no impact otherwise and wherever required necessary adjustments are

Sr. No.	Auditor's Report	Reply of Management
		also being made. Although no specific confirmation is taken, all the bills issued by MTNL show outstanding including details of such outstanding old bills to subscribers as a part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate as well as normal debtors/receivables. As regards payables, the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arise as it is as per contractual obligations. In view of above, in general there is no impact and assessment of any impact also not ascertainable.
7	In respect of Holding Company, 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 interconnect 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 been done as per the policy. Since the provision in respect of dues of operators is on a different footing in view of bilateral agreements they cannot 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 operators. In view of above the impact is not assessable.
8	(a) In respect of Holding Company (Delhi Unit), reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on the Consolidated IND AS financial statements cannot be ascertained and quantified at present. (b) In respect of Holding Company, Unlinked Credit of ₹ 36.91 Crores on account of receipts from subscribers against billing by the Holding Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated	(a) The reconciliation is almost completed and one area is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process. In view of above the impact is not assessable. (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 the same will be reconciled in due course of time.

Sr. No.	Auditor's Report	Reply of Management
9	In respect of Holding Company, in the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Holding Company (Delhi Unit). Pending such reconciliation, the impact of the same on the Consolidated IND AS financial statements cannot be ascertained and quantified.	Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/ international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date and there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit where as at Mumbai unit the same is already done. As such there is no such possibility for quantification and on materiality aspect also there is no issue. In view of above the impact is not assessable.
10	In respect of Holding Company, Property, Plant and Equipment are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the consolidated statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalised in the Consolidated IND AS financial statements cannot be ascertained.	Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been reduced to by ₹ 225.27 crs as at 31-3-17 despite addition of ₹ 362.33 crs in current year to the opening CWIP of ₹ 102.85 crs. The net WIP as at 31.03.2017 excluding CWIP of inventory is ₹ 239.91 cr. In view of above and the ongoing process of capitalisation of old to oldest WIP management do not expect that there would be any impact which is also thereby not assessable at this stage.
11	In respect of Holding Company, Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated 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 or done. As such there is no impact expected due to the classification. In view of above the impact is not assessable.

Sr. No.	Auditor's Report	Reply of Management
12	In respect of Holding Company, Department of Telecommunication (DOT) had raised a demand of ₹ 3,313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.	Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. Department of telecom 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. 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 operators and as when 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 also demanding thereafter. Hence the issue gets resolved on final decisions of govt. In view of above the impact is not assessable.



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कार्यालय
महानिदेशक लेखापरीक्षा, डाक व दूरसंचार
शाम नाथ मार्ग, (समीप पुराना सचिवालय), दिल्ली-110054

OFFICE OF THE
Director General of Audit (Post & Telecommunications)

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

क्रमांक _____ Report-PSU A/cs./F-169/MTNL Consolidated/2016-17/428
No.

Dated : 09/08/2017

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, 2017.

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, 2017 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 2017.

The preparation of consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2017 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 2017.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2017. 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. (jointly 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. 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: 09-08-2017

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 2017.

Comments of CAG	Reply of MTNL Management
<u>Notes to Financial Statements</u> The preparation of consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2017 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 2017. I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) read with section 129(4) of the Act of the consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED for the year ended 31 March 2017. 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. (jointly controlled entities) for the year ended on that date. <u>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. 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.</u> 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.	Noted

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 Rep-PSU A/cs./F-148/MTNL/2016-17/451
No.

Dated : 17/08/2017

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, 2017.

Sir,

I am to forward herewith the comments of the Comptroller and Auditor General in India under Section 143(6)(b) of the Companies Act, 2013 on the annual accounts of MTNL for the year ended 31st March, 2017 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, NEW DELHI FOR THE YEAR ENDED 31 MARCH 2017.

The preparation of financial statements of Mahanagar Telephone Nigam Limited, New Delhi for the year ended 31 March 2017 in accordance with the financial reporting framework prescribed under the Companies Act, 2013 is the responsibility of the management of the company. The statutory auditor/auditors appointed by the Comptroller and Auditor General of India under section 139(5) of the Act is/are responsible for expressing opinion on the financial statements under section 143 of the Act based on independent audit in accordance with the standards on auditing prescribed under section 143(10) of the Act. This is stated to have been done by them vide their Audit Report dated May 30, 2017.

I, on the behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 143(6)(a) of the Act of the financial statements of Mahanagar Telephone Nigam Limited, New Delhi for the year ended 31 March 2017. 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: Based on my supplementary audit, I would like to highlight the following significant matters under section 143(6)(b) of the Act which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related audit report:

Notes to Financial Statements

A reference is invited to the comments of Comptroller & Auditor General of India on the accounts of the Company for the year ended 31st March 2016 wherein non-provision for License Fee pertaining to the period from 2007-08 to 2010-11 and 2012-13 demanded by Department of Telecommunication resulting in understatement of current liabilities and overstatement of profit by Rs. 590.90 crore was commented.

The Company stated in reply that issues were under review by DOT, no license fee dues were pending as per Company, there was no acknowledged debt as of date in view of the issue not attaining finality and thus, there was no justification for creation of provision for it.

The above facts should have been disclosed in the Notes to Accounts.

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

Place: New Delhi

Date: 17-08-2017

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



Comments of the Comptroller & Auditor General of India under section 143 (6) (b) of the Companies Act 2013 on the accounts of Mahanagar Telephone Nigam Limited (MTNL) for the year ended 31st March 2017.

Comments of CAG	Reply of MTNL Management
<u>Notes to Financial Statements</u> A reference is invited to the comments of Comptroller & Auditor General of India on the accounts of the Company for the year ended 31st March 2016 wherein non-provision for License Fee pertaining to the period from 2007-08 to 2010-11 and 2012-13 demanded by Department of Telecommunication resulting in understatement of current liabilities and overstatement of profit by Rs 590.90 crore was commented. The Company stated in the reply that issues were under review by DOT, no license fee dues were pending as per Company, there was no acknowledged debt as of date in view of the issue not attaining finality and thus, there was no justification for creation of provision for it. The above facts should have been disclosed in the notes to accounts.	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:	Millenium 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:	₹ 1.94 Crores
8.	Total assets:	₹ 8.12 Crores
9.	Total Liabilities:	₹ 8.12 Crores
10.	Investments:	Nil
11.	Turnover:	₹ 4.82 Crores
12.	Profit before taxation:	₹ 0.47 Crores
13.	Provision for taxation:	₹ 0.07 Crores
14.	Profit after taxation:	₹ 0.40 Crores
15.	Proposed Dividend:	Nil
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 0.554 MUR
6. Share capital:	₹ 117.19 Crores
7. Reserves & surplus:	₹ 9.00 Crores
8. Total assets:	₹ 162.73 Crores
9. Total Liabilities:	₹ 162.73 Crores
10. *Investments:	NIL
11. Turnover:	₹ 94.87 Crores
12. Profit before taxation:	₹ 4.74 Crores
13. Provision for taxation:	₹ 0.80 Crores
14. Profit after taxation:	₹ 3.94 Crores
15. Proposed Dividend:	₹ 1.35 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 Telecommu- nication Limited	MTNLSTPI IT Services Limited
1. Latest audited Balance Sheet Date	31.03.2017	31.03.2017
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	Rs. 7.07 Crore	Rs. 3.81 Crore
6. Profit/ Loss for the year	Loss	Profit
i. Considered in Consolidation	-	Rs. 0.69 Crore
ii. Not Considered in Consolidation	Rs.(47.18) Crore	Rs. 0.69 Crore

- Names of associates or joint ventures which are yet to commence operations: Not Applicable
- Names of associates or joint ventures which have been liquidated or sold during the year: Not Applicable

For and on behalf of
Mahanagar Telephone Nigam Limited

(S. R. Sayal)
Company Secretary

(Sultan Ahmed)
GM (Finance) CO

(P. K. Purwar)
Chairman & Managing Director

Place: New Delhi
Date: 30.05.2017



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 17th Annual Report of your Company together with the Statement of Accounts and Auditors Report for the year ended on 31st March, 2017 and report as under:

FINANCIAL PERFORMANCE

During the financial year under report, your Company has registered a net profit of Rs 39,90,559/- as against a Net profit of Rs.27,10,215/- last year and has a reserve and surplus of Rs. 1,94,15,181/- as against a reserve and surplus of Rs. 1,54,24,623/- last year.

OPERATIONS AND STATUS OF WORK ORDERS RECEIVED SO FAR:

➤ **MILLENNIUM TELECOM LTD**

Millennium Telecom Ltd (MTL) is a wholly owned subsidiary of MTNL, incorporated in February 2000 under the Companies Act 1956.

Services being offered by MTL include Telecom consultancy & engineering, Project Management, Wi-Fi solution, project on e-governance, Managed services, Turnkey ICT solution, 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 by System Integration other ICT related works at Pan India level. 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 showcasing its understanding and capabilities. Customer list include National Highway Authority of India (NHAI), Air India, J & K Government, Central University-(Mahendragarh) Haryana etc. MTL is also expanding its portfolio of service for providing generalized as well customized solutions to suit government and semi government institutions.

MTL had invited EOI from interested parties for empanelment as Business Development Associates to assist MTL for implementation of innovative projects. 15 BDAs' have been empanelled till now.

Recently MTL has been awarded the work for GIS survey of Meerut and Ghaziabad worth Rs 18.9 crore.

MTL has also entered in an agreement for forming of joint venture with NDMC which will be used for entering projects like smart city.

Many new projects are in pipeline like

1. **Consultation through Mobile-Video Telephony:** Proof of Concept (PoC) executed for a mobile enabled medical video consultation service by the name of "Paramarsh" for ESIC Beneficiaries in the States of Bihar and Himachal Pradesh.
2. **Aadhar based authentication service:** Proposal to Regional Board of Examination New Delhi for aadhar based verification of candidates appearing in examination of admission in medical college.
3. **Implementation of turnkey e-office solution:** Proposal for implementation agency for turnkey e-office solution as per requirement of NIFT.
4. **Monitoring of Mid-Day Meal Scheme:** Proposal to East Delhi Municipal Corporation (EDMC), New Delhi for implementation of the online daily attendance, daily mid-day meal reporting and its online submission along with multiple MIS reports for schools and related authorities.

5. **Digitization of Birth & Death Certificates:** Proposal to North Delhi Municipal Corporation (NDMC) for digitization and scanning of its Birth and Death records.
6. **Cashless payment mechanism in the Hon'ble Delhi District Courts (DDC) and other subordinate courts:** POC to be executed in Rohini Court Complex as pilot project for implementation of cashless payment mechanism in the Hon'ble Delhi District Courts and other subordinate courts.
7. **Process Server Tracking App** - Meeting with Punjab and Haryana High court, Delhi High Court, Allahabad High Court and Patna High Court.
8. **Solution for stopping Usage of Unauthorized Mobile Phones in Prisons –** Independent network access control (INAC) -meeting with IG prisons Bihar, Punjab, Delhi.
9. **Managed Telecom Network services for IDSP's –** Ministry of Health and Family Welfare.

Miscellaneous : Minority Affairs Ministry, Health, AYUSH, Himachal Pradesh Police, Haryana ULB, NHAI, Armed Forces Medical College.

PERSONNEL

Your Company has not appointed any regular employee on its rolls. Some officers of MTNL have been nominated to take care of the work of MTL in addition to their existing duties & responsibilities. This is done for gearing up of MTL organization since lot of businesses is available in the market.

SHARE CAPITAL

There has been no change in the Share Capital and Shareholding of the Company. The paid up Share Capital of the Company is ₹ 2,87,58,800/- (28,75,880 equity shares of ₹10/- each). All the shares are held by MTNL and its nominees.

DIVIDEND

In the absence of adequate profit, the Board of Directors of your company has decided not to declare any dividend for the Financial Year 2016-17.

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.

An EGM was held on 26.05.2017 in which a Special Resolution was passed regarding shifting of Registered Office of the Company from the State of Maharashtra to the NCT of Delhi.

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

The provisions of Section 134(m) of the Companies Act, 2013 do not apply to the Company as your Company is a service provider. During the year, there was no foreign exchange earnings and expenditure in foreign exchange.

PARTICULARS OF EMPLOYEES & RELATED DISCLOSURES

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

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

During the Financial Year 2016-17, no case has been referred/ reported to the Committee of Sexual Harassment as there are no regular employees on its roll.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS IN THE FINANCIAL YEAR 2016-17

During the Financial Year 2016-17 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	77	26.05.2016	New Delhi
2	78	09.09.2016	Mumbai
3	79	27.12.2016	New Delhi
4	80	29.03.2017	Mumbai

DIRECTORS

Shri. Sunil Kumar, continue to be Chairman and Nominee Directors of MTNL (the holding Company). Shri R. M. Agrawal continue to be Nominee Director of DoT and Shri Pravin Punj continue to be Nominee Director of MTNL. The following are the changes in the composition of Board of Directors of the Company during the Financial Year 2016-17:-

- (i) Shri Pankaj Yadav ceased to be Director w.e.f. 26.05.2016.
- (ii) Shri Sultan Ahmed, GM (Fin), MTNL has been appointed as Nominee Director w.e.f. 09.07.2016.

CHIEF OPERATING OFFICER

Shri M. V. Padmanabhan, 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 had not entered with any Material Transaction with any of its related parties. The Company's major Related Party Transactions are generally with its holding company i.e. MTNL. All Related Parties Transactions were in ordinary course of Business and were negotiated on an Arm's Length basis, they were intended to further the company's interest. Accordingly, the disclosure of Related Party Transactions as required under 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 2016-17 vide letter no. CA. V/COY/CENTRAL GOVERNMENT,MIL TEL(1)/1541 dtd: 09.09.2016.

COMMENTS OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA UNDER SECTION 143(6) (b) OF THE COMPANIES ACT, 2013.

Pursuant to Section 143(6)(b) of the Companies Act, 2013 , "NIL Comments" of the Comptroller and Auditor General of India has been obtained for the FY 2016-17.

ACKNOWLEDGEMENT

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

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

For and on behalf of Board of Directors.

SUNIL KUMAR
CHAIRMAN
DIN:06628803

Place: New Delhi
Date: 03/07/2017



ANNEXURE -I

FORM NO. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on 31 March, 2017

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

1. REGISTRATION AND OTHER DETAILS :

- i) **CIN:-** U64200MH2000GOI124302
- ii) **Registration Date:-** 17th February, 2000
- iii) **Name of the Company:-** Millennium Telecom Limited
- iv) **Category/ Sub-Category of the Company:-** Wholly Owned Subsidiary of MTNL.
- v) **Address of the Registered Office and contacts details:-** 15th Floor, Telephone House, VS Marg, Dadar(West) Mumbai-400028 ♦ Tele-022-24310645, Fax-022-24367168
- vi) **Whether listed company Yes / No:-** No
- vii) **Name, Address and Contact details of Registrar and Transfer Agent, If any:-** NIL

2. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY:

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

Sr. No.	Name and Description of the main products/ services	NIC Code of the Product/ services	% to total turnover of the company
1	Information Technology/Data	892	92%

3. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES –

Sr. No.	NAME AND ADDRESS OF THE COMPANY	CIN/GLN	HOLDING / SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD	APPLICABLE SECTION
1	Mahanagar Telephone Nigam Limited (MTNL) Mahanagar Doorsanchar Sadan, 5 th Floor, 9 CGO Complex, Lodi Road, New Delhi-110003.	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				No. of Shares held at the end of the year				% Change during the year
	De-mat	Physical	Total	% of Total Shares	De-mat	Physical	Total	% of Total Shares	
A) Promoters									
(1) Indian									
g) Individual/ HUF	0	0	0	0.00	0	0	0	0	0
h) Central Govt/ State Govt(s)	0	0	0	0.00	0	0	0	0	0
j) Bodies Corp. (MTNL)	0	2875880	2875880	100.0	0	2875880	2875880	100	0
k) Banks/ FI	0	0	0	0.00	0	0	0	0	0
l) Any Other	0	0	0	0.00	0	0	0	0	0
Sub- total	0	2875880	2875880	100	0	0	2875880	2875880	0
(A) (1):-									
(2) Foreign									
a) NRIs- Individuals	0	0	0	0.00	0	0	0	0	0
c) Bodies Corp.	0	0	0	0.00	0	0	0	0	0
d) Bank/ 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)	0	0	0	0.00	0	0	0	0	0
(2):-									
Total shareholding of Promoter	0	2875880	2875880	100	0	2875880	2875880	100	0
(A)=(A)(1)+(A)(2)									
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)	0	0	0	0.00	0	0	0	0.00	0
(1):-									
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
Grand Total (A+B+C)	0	2875880	2875880	100	0	2875880	2875880	100	0

(II) Shareholding of Promoters

Sr. NO.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of Shares Pledged/ encumbered to total shares	No. of shares	% of total shares of the company	% of Pledged/ encumbered to total shares	
1.	Mahanagar Telephone Nigam Limited	2875880	100.00	Nil	2875880	100.0	Nil	NIL
	Total	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		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 In-crease/ Decrease in Promoters Share holding during the year specifying the reason for increase/ decrease (e.g. allotment/ transfer/ bonus/ sweat equity etc):	NIL	NIL	NIL	NIL
	At the end of the year	2875880	100.00	2875880	100.00

(IV) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs) : NOT APPLICABLE
(V) Shareholding of Directors and Key Managerial Personnel: NIL

(VI) INDEBTNESS

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtness
Indebtness at the beginning of the financial				
i) Principal Amount	NIL	4886347.00	NIL	4886347.00
ii) Interest due but not paid		--	--	--
iii) Interest accrued but not due		--	--	--
Total (i+ii+iii)	NIL	4886347.00	NIL	4886347.00
Change in Indebtness during the financial year		1071116.00		1071116.00
• Addition	--	--	--	--
• Reduction		--		--
Net Change	NIL	1071116.00	--	1071116.00
Indebtness at the end of the financial year	--	--		--
i) Principal Amount		5957463.00	--	5957463.00
ii) Interest due but not paid		--		--
iii) Interest accrued but not due		--		--
Total (i+ii+iii)	NIL	5957463.00	NIL	5957463.00

(VII) REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL: At Present there exist no employees on the roll of MTNL.

A. Remuneration to other directors : Not Applicable

B. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD : NA

(VIII) PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES : **NIL**



**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 31/03/2017, 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 consider 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, 2017;
- 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, 2017, taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2017, 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.
 - iv. The Company did not have any holdings or dealings in Specified Bank Notes during the period from 8th November 2016 to 30th December 2016. These are in accordance with the books of accounts maintained by the company.

For **BRAMHECHA MODI & CO.**

Chartered Accountants
Firm Reg. No. 101591W

(VARUN BRAMHECHA)
Partner
Mem No. 136414

Place: MUMBAI

Date: 26.05.2017

“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 2017 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 (The above case is pending with ITAT for relief of Deduction u/s 80IA)	63,75,775/-	63,75,775/-
2004-2005 (The above case is pending with ITAT for relief of Deduction u/s 80IA)	39,51,1744/-	34,96,764/-
2005-2006 (The above case is pending with ITAT for relief of Deduction u/s 80IA)	29,82,670/-	29,82,670/-

2006-2007	9,41,800/-	NIL
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(Demand letter received for above amount. However company has written to income tax department that rectification return has not been considering while passing the order.)

2007-2008	6,34,050/-	Nil
(Commissioner of Income Tax Appeal has allowed only part appeal and appeal effect is still pending)		
2009-2010	5,453/-	Nil
(The above demand has been paid on 09.05.2017)		

- 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

(VARUN BRAMHECHA)
Partner
Mem No. 136414

Place: MUMBAI
Date: 26.05.2017



“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 2015-16 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 the company has not been selected for disinvestment during the period covered under audit.

- 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

(VARUN BRAMHECHA)
Partner
Mem No. 136414

Place: MUMBAI

Date: 26.05.2017

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 2017 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 2017, 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

(VARUN BRAMHECHA)

Partner
Mem No. 136414

Place: MUMBAI

Date: 26.05.2017



MILLENNIUM TELECOM LIMITED
Balance Sheet as at 31 March, 2017

				Amount in Rupees
Particulars	Note No.	As at March 31, 2017	As at March 31, 2016	As at April 01, 2015
ASSETS				
1 Non-current assets				
Property, Plant and Equipments	2	48,776	51,935	43,855
Deffered Tax (Assets)	3	47,184	55,801	67,302.00
Other non current Assets	4	63,25,314	71,84,271	76,17,318.00
		64,21,274	72,92,007	77,28,475
2 Current assets				
Inventories	5	-	-	29,99,818
Financial Assets				
Trade Receivable	6	1,92,06,616	2,18,60,576	2,00,95,662
Cash & Bank Balance	7	4,52,56,228	3,49,01,243	2,18,47,857
Other current financial asset	8	11,74,213	1,74,213	1,74,213
Current Tax Assets	9	12,79,008	-	-
Other current assets	10	79,09,130	8,58,353	97,17,281
		7,48,25,195	5,77,94,385	5,48,34,831
TOTAL ASSETS		8,12,46,469	6,50,86,393	6,25,63,307
EQUITY AND LIABILITIES				
Equity				
Equity Share capital	11	2,87,58,800	2,87,58,800	2,87,58,800
Other Equity	12	1,94,15,181	1,54,24,623	1,27,14,408
		4,81,73,981	4,41,83,423	4,14,73,208
LIABILITIES				
1 Non current liabilities				
Other non-current liabilities	13	21,77,000	21,77,000	21,77,000
		21,77,000	21,77,000	21,77,000
2 Current liabilities				
Financial Liabilities			-	-
Trade Payable	14	65,37,227	1,15,26,240	90,95,530
Other Financial Liabilities	15	80,02,463	48,96,347	48,96,347
Current Provision	16	1,24,19,561	7,01,448	39,51,764
Other Current Liabilities	17	39,36,237	16,01,935	9,69,458
		3,08,95,488	1,87,25,970	1,89,13,099
TOTAL EQUITY AND LIABILITIES		8,12,46,469	6,50,86,393	6,25,63,307

For M/s Bramhecha & Modi & Co
Chartered Accountants
Firm's Registration No.:101591W

CA VARUN V BRAMHECHA
Partner
Membership No. 136414

Sunil Kumar
Chairman & Director

For and on behalf of the Board of Directors

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 26-May-2017



MILLENNIUM TELECOM LIMITED

PART II – Profit and Loss Statement for the year ended 31 March, 2017

Amount in Rupees

Particulars	Note No.	Year ended 31 March 2017	Year ended 31 March 2016
1	2	3	4
I Revenue from operations	18	4,82,13,943	1,36,96,673
II Other income	19	30,23,585	43,19,609
III Total Income (I+II)		5,12,37,528	1,80,16,282
IV Expenses			
Cost of material consumed			
Purchase of Stock in Trade	20	15,250	0
"Changes in inventories of finished goods work-in-progress and Stock-in-Trade "	21	0	29,99,818
Employee benefits expense			
Finance costs	22	13,745	56,054
(f) Depreciation and amortisation expense	23	3,159	1,895
(g) Other expenses	24	4,65,09,090	1,04,63,319
Total expenses		4,65,41,244	1,35,21,086
V Profit / (Loss) before exceptional and extraordinary items and tax (III-IV)		46,96,284	44,95,196
VI Exceptional items		0	0
VII Profit / (Loss) before tax (V-VI)		46,96,284	44,95,196
VIII Tax expense:			
(a) Current tax		13,98,679	14,93,677
(b) Tax of earlier years		(7,01,571)	2,79,803
(b) Deferred Tax		8,617	11,501
		7,05,725	17,84,981
IX Profit / (Loss) for the period from continuing operation (VII-VIII)		39,90,559	27,10,215
X Profit / (Loss) from discontinuing operations			
XI Tax expenses for discontinuing operations			
XII Profit / (Loss) from discontinuing operations after tax (IX+XII)		0	0
XIII Profit / (Loss) for the period (XI-XIII)		39,90,559	27,10,215
XIV Other Comprehensive Income		0	0
XV Total Comprehensive Income for the period (XIII+XIV)(Comprising Profit (Loss) and Other Comprehensive Income 'for the period)		39,90,559	27,10,215
XVI Earnings per share (For continuing operation)			
(a) Basic		1.39	0.94
(b) Diluted		1.39	0.94
XVII Earnings per share (For discontinued operation)			
(a) Basic			
(b) Diluted			
XVIII Earnings per share (For continuing & discontinued operation)			
(a) Basic		1.39	0.94
(b) Diluted		1.39	0.94

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS 21 to 25

As per our report attached.

For M/s Bramhecha & Modi & Co

Chartered Accountants

Firm's Registration No.:101591W

CA VARUN V BRAMHECHA

Partner

Membership No. 136414

Sunil Kumar

Chairman & Director

For and on behalf of the Board of Directors

Sultan Ahmed

Director

A C KUMAR

IFA

Place: Mumbai

Date : 26-May-2017

MILLENNIUM TELECOM LIMITED
Cash Flow Statement for the year ended 31 March, 2017

<u>2016-17</u>	As at March 31, 2017		As at March 31, 2016	
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
A. Cash flow from operating activities				
Net Profit / (Loss) before extraordinary items and tax		46,96,284		44,95,196
<i>Adjustments for:</i>				
Depreciation and amortisation	3,159		1,895	
Finance costs	13,745		56,054	
Interest income	(25,43,669)		(43,19,609)	
Income Tax earlier year	7,01,571		(2,79,803)	
Other non-cash charges	0	(18,25,194)	0	(45,41,463)
Net unrealised exchange (gain) / loss			-	
Operating profit / (loss) before working capital changes		28,71,090		(46,267)
<i>Changes in working capital:</i>				
Adjustments for (increase) / decrease in operating assets:				
Inventories			29,99,818	
Trade receivables	26,53,960		(17,64,914)	
Other current financial assets	(10,00,000)			
Other current tax asset	(12,79,008)			
Other current assets	(70,50,777)		92,91,975	
Other non-current assets	8,58,957			
<i>Adjustments for increase / (decrease) in operating liabilities:</i>				
Trade payables	(49,89,013)		24,75,521	
Other current financial liabilities	31,06,116			
Other current liabilities	1,17,18,113		5,87,666	
Other Long-term liabilities	0		0	
Short-term provisions	23,34,302		(32,50,316)	
Long-term provisions	-	63,52,650		1,03,39,750
		92,23,740		1,02,93,483
Cash flow from extraordinary items				
Cash generated from operations		92,23,740		1,02,93,483
Net income tax (paid) / refunds		(13,98,679)		(14,93,677)
Net cash flow from / (used in) operating activities (A)		78,25,061		87,99,806
B. Cash flow from investing activities				
Interest received				
- Others Bank FD	24,65,227	25,43,669	19,98,813	43,19,609
- Others	78,442		23,20,796	
Purchase of Fixed Asset		0		(9,975)
Net income tax (paid) / refunds				-

Net cash flow from / (used in) investing activities (B)		25,43,669		43,09,634
C. Cash flow from financing activities				
Proceeds from other long-term advances				
Repayment of other short-term borrowings	0		0	
Finance cost	(13,745)	(13,745)	(56,054)	(56,054)
Net cash flow from / (used in) financing activities (C)		(13,745)		(56,054)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		1,03,54,985		1,30,53,386
Cash and cash equivalents at the beginning of the year		3,49,01,243		2,18,47,857
Cash and cash equivalents at the end of the year		4,52,56,228		3,49,01,243
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet (Refer Note 5)		4,52,56,228		3,49,01,243
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 AS 7 <i>Cash Flow Statements</i>) included in Note 5		4,52,56,228		3,49,01,243
Add: Current investments considered as part of Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) (Refer Note (ii) to Note 16 Current investments)		-		-
Cash and cash equivalents at the end of the year *		4,52,56,228		3,49,01,243
Cash and cash equivalents at the end of the year *				
* Comprises:				
(a) Cash on hand		-		-
(b) Cheques, drafts on hand		-		-
(c) Balances with banks				
(i) In current accounts		3,02,563		68,99,692
(ii) In deposit accounts with original maturity of less than 3 months		4,49,53,665		2,80,01,551
		4,52,56,228		3,49,01,243

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 VARUN V BRAMHECHA
Partner
Membership No. 136414

Sunil Kumar
Chairman & Director

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 26-May-2017



MILLENNIUM TELECOM LIMITED

Significant accounting policies and other explanatory information for the year ended March 31, 2017

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 intended 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 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. Update On Ind As Implementation: The Institute of Chartered Accountants of India has issued Ind AS (a revised set of accounting standards) which largely converges the Indian accounting standards with International Financial Reporting Standards (IFRS). The Ministry of Corporate Affairs (MCA) has notified these accounting standards (Ind AS) for adoption. As MTL subsidiary of Mahanagar Telephone Nigam Limited the implementation of Ind As began from 1st April 2016. The financial statements of the Company, have been prepared and presented in accordance with Ind AS. Previous period numbers financial statements have been restated to Ind AS. In accordance with Ind AS 101 Firsttime Adoption of Indian Accounting Standard, the Company has presented a reconciliation from the presentation of condensed standalone financial statements under Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 ("Previous GAAP") to Ind AS of Shareholders' equity as at 31 March 2016, and 31 March 2015. 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.

First time adoption reconciliations

B Reconciliation of equity from Previous GAAP to Ind AS

Particulars	Equity as at March 31, 2016	Equity as at April 1, 2015
Equity as per Indian GAAP	44,325,384	43,924,181
GAAP adjustments:		
Adjustment on account of prior period items charged to respective period	(141,962)	(2,450,973)
Equity as per Ind AS	44,183,422	41,473,208

Reconciliation of profit and loss for the year 2015-16

Particulars	March 31, 2016
Net Profit for the period as per Indian GAAP	2,945,207
GAAP adjustments:	
Adjustment on account of prior period items charged to respective period	(234,992)
	2,710,215

MILLENNIUM TELECOM LIMITED
Balance Sheet as at 31st March 2017

Property Plant and Equipment	Furniture and fixtures	Office equipment	Electrical fittings	Computers	Vehicles	Total
Year ended 31 March 2016						
Gross carrying amount						
Deemed cost as at 1 April 2015	23,713	17,029	3,111	1	1	43,855
Exchange differences	-	-	-	-	-	-
Additions	-	-	-	9,975	-	9,975
Assets included in a disposal group classified as held for sale	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Closing gross carrying amount	23,713	17,029	3,111	9,976	1	53,830
Accumulated depreciation	-	-	-	-	-	-
Depreciation charge during the year	-	-	-	1,895	-	1,895
Assets included in a disposal group classified as held for sale	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Closing accumulated depreciation	-	-	-	1,895		1,895
Net carrying amount	23,713	17,029	3,111	8,081	1	51,935
Year ended 31 March 2017						
Gross carrying amount						
Opening gross carrying amount	23,713	17,029	3,111	9,976	1	53,830
Exchange differences	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Assets included in a disposal group classified as held for sale	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Closing gross carrying amount	23,713	17,029	3,111	9,976	1	53,830
Accumulated depreciation	-	-	-	-	-	-
Opening accumulated depreciation	-	-	-	1,895	-	1,895
Depreciation charge during the year	-	-	-	3,159	-	3,159
Assets included in a disposal group classified as held for sale	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Exchange differences	-	-	-	-	-	-
Closing accumulated depreciation	-	-	-	5,054	-	5,054
Net carrying amount	23,713	17,029	3,111	4,922	1	48,776

MILLENNIUM TELECOM LIMITED
Significant accounting policies and other explanatory information for the year ended March 31, 2017

Note No	Particulars	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
3	Deferred tax assets Timing difference between book depreciation and depreciation as per Income Tax Act, 1961	47,184	55,801	67,302
		47,184	55,801	67,302
4	Non current tax assets Advance tax (net of provisions)	6,325,314	7,184,271	7,617,318
		6,325,314	7,184,271	7,617,318
5	Inventories Work in progress	-	-	2,999,818
		-	-	2,999,818
6	Trade receivables (Unsecured) Considered good Considered doubtful Less: Provision for doubtful debts	19,206,616 273,971 19,480,587 (273,971) 19,206,616	21,860,576 273,971 22,134,547 (273,971) 21,860,576	20,095,662 273,971 20,369,633 (273,971) 20,095,662
7	Cash and cash equivalents Cash in hand Balance with banks - current accounts - in deposit account with original maturity upto 3 months	- 302,563 44,953,665 45,256,228	- 6,899,692 28,001,551 34,901,243	- 1,630,027 20,217,830 21,847,857
8	Other current financial asset Receivable from related parties Bank Guarantee	174,213 1,000,000 1,174,213	174,213 - 174,213	174,213 - 174,213
9	Other current tax assets Income tax refund receivable	1,279,008 1,279,008	- -	- -
10	Other current assets Prepaid expenses Balance with statutory authorities	3,159,330 4,749,800 7,909,130	33,333 825,020 858,353	155,646 9,561,635 9,717,281



Equity shares capital	As at March 31, 2017 RUPEES	As at March 31, 2016 RUPEES	As at April 01, 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	1,000,000,0000
Issued			
28,75,880 (Previous Year:28,75,880) Equity Shares of Rs. 10 each	28,75,8800	28,75,8800	2,87,58,800
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	2,87,58,800
	28,75,8800	28,75,8800	2,87,58,800

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, 2017	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880
As at 31 March, 2016	
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
<u>Equity shares with voting rights</u>				
Mahanagar Telephone Nigam Limited	28,75,880	100	28,75,880	100

Statement of Changes in Equity for the year ended March 31, 2017

Equity share capital

	Number of shares	Amount
As at April 01, 2015	2,87,58,80	2,87,58,800
Changes during the year	-	-
As at March 31, 2016	2,87,58,80	2,87,58,800
Changes during the year	-	-
As at March 31, 2017	2,87,58,80	2,87,58,800
Other equity		
	Revenue Reserve	Retained earnings
Opening balance as at April 01, 2015	7,24,119	1,19,90,289
Transactions during the year		
Profit / (loss) for the year		27,10,215
Closing balance as at March 31, 2016	7,24,119	1,47,00,504
Transactions during the year		
Profit / (loss) for the year		39,90,559
Closing balance as at March 31, 2017	7,24,119	1,86,91,062

Other Equity	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Reserves and surplus			
Revenue reserve			
Opening balance	7,24,119	7,24,119	7,24,119
Add: Additions / transfers during the year			
Less: Utilisations / transfers during the year			
Amortization of fixed assets as per new Companies Act 2013			
Closing balance	7,24,119	7,24,119	7,24,119
Surplus / (Deficit) in Statement of Profit and Loss			
Opening balance	1,47,00,504	1,19,90,289	1,19,90,289
Add: Profit / (Loss) for the current year	39,90,559	27,10,215	
Add/Less: Tax for earlier Years			
Closing balance	1,86,91,062	1,47,00,504	1,19,90,289
Total	1,94,15,181	1,54,24,623	1,27,14,408

Note No	Particulars	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
13	Other non current liabilities			
	Mobilization Advance Received from Jammu & Kashmir E-Gov	21,77,000	21,77,000	21,77,000
		21,77,000	21,77,000	21,77,000
14	Trade Payables			
	Due to MSME	-	-	-
	Due to Others	65,37,227	1,15,26,240	90,95,530
		65,37,227	1,15,26,240	90,95,530

Note No	Particulars	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
15	Other current financial liabilities			
	Advances from related parties	59,57,463	48,86,347	48,86,347
	Earnest money deposit	20,45,000	10,000	10,000
		<u>80,02,463</u>	<u>48,96,347</u>	<u>48,96,347</u>
16	Current Provisions			
	Provision for expenses	1,24,19,561	7,01,448	39,51,764
		<u>1,24,19,561</u>	<u>7,01,448</u>	<u>39,51,764</u>
17	Other current liabilities			
	Income Received in Advance	1,15,533	3,03,758	1,49,856
	Statutory remittances (Professional Tax, Service Tax, TDs payable)	38,20,704	12,98,177	8,19,602
		<u>39,36,237</u>	<u>16,01,935</u>	<u>9,69,458</u>

Note No	Particulars	Year Ended March 31, 2017 Rupees	Year Ended March 31, 2016 Rupees
18	Revenue from operations		
	Sales of Products	17,000	-
	Sales of Services	5,47,83,382	1,40,98,501
	Other Operating Revenues	6,54,000	-
	Gross Revenue	<u>5,54,54,382</u>	<u>1,40,98,501</u>
	Less: Service Tax	(72,40,439)	(4,01,828)
	Net Revenue from operations	<u>4,82,13,943</u>	<u>1,36,96,673</u>
19	Other Income		
	Interest income	25,43,669	43,19,609
	Tender & EMD forfeiture	4,79,916	-
		<u>30,23,585</u>	<u>43,19,609</u>
20	Purchase of Stock in trade		
	Cost of Goods Traded		
	Opening Stock	-	-
	Purchases	15,250	-
	Closing Stock	-	-
		<u>15,250</u>	<u>-</u>
21	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 beginning of year		
	-Traded goods	-	-
	-Work in Progress	-	29,99,818
	-Finished Goods	-	-
	Net changes in Inventories	<u>-</u>	<u>29,99,818</u>

Note No	Particulars	Year Ended March 31, 2017 Rupees	Year Ended March 31, 2016 Rupees
22	Finance costs		
	Bank Charges	13,713	1,365
	Interest on Indirect Statutory Payments	32	15,348
	Interest on Licence fees	-	39,341
		13,745	56,054
23	Other expenses		
	Direct Expenses	4,61,02,165	97,32,117
	Honarium paid to Prabhu	5,000	-
	Meeting Expenses	16,951	6,072
	Rates and taxes	2,500	2,500
	Travelling and conveyance	1,50,297	48,781
	Veichle Hire Charges	-	1,62,215
	Printing and stationery	19,515	9,212
	Postage	1,090	730
	Tender Expenses	3,102	-
	Licence Fees	-	-
	Penalty on Licence Fees	-	2,55,071
	Legal and professional	308	46,713
	CS Fees	40,202	53,760
	Fees to CA other than Audit	59,290	-
	Income Tax Appeal fees	10,000	11,000
	RoC Filing Fees	9,219	-
	Payments to auditors	84,090	1,03,375
	Digital Signature	1,800	2,061
	Books & periodicals	-	1,945
	Prior period items	-	-
	Miscellaneous expenses	3,561	27,767
		4,65,09,090	1,04,63,319
	Tax expense		
	Current tax expense		
	Current tax for the year	6,97,108	17,73,480
	Deferred taxes		
	Change in deferred tax assets	8,617	11,501
		7,05,725	17,84,981
	Tax reconciliation (for profit and loss)		
	Profit before income tax expense	4,696,284	4,495,196
	Tax at the rate of 30.9%	1,451,152	1,389,015
	Tax effect of amounts which are not deductible / not taxable in calculating taxable income		
	Depreciation	(0)	0
	Professional Taxes not paid		773
	Interest for late payment of S Tax		4,743
	Penalty on license fee		78,817
	Prior Period Items		30,458
	Interest under section 234B and 234C		15,217
	Penalty & Interest	10	
	Others	(701,570)	279,803
	Ind AS adjustments	(43,866)	(13,845)
		(745,426)	395,966

24	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.																												
25	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 ,2017 <table><tr><td>Particulars</td><td>Within 6 months</td><td>6 months to 1 year</td><td>Total</td></tr><tr><td>Trade Payables</td><td>2,98,992</td><td>62,38,235</td><td>65,37,227</td></tr><tr><td>Other current financial liability</td><td>---</td><td>80,02,463</td><td>80,02,463</td></tr></table> As at March 31 ,2016 <table><tr><td>Trade Payables</td><td>52,88,005</td><td>62,38,235</td><td>1,15,26,240</td></tr><tr><td>Other current financial liability</td><td>---</td><td>48,96,347</td><td>48,96,347</td></tr></table> As at April 1 ,2015 <table><tr><td>Trade Payables</td><td>90,95,530</td><td>---</td><td>90,95,530</td></tr><tr><td>Other current financial liability</td><td>---</td><td>48,96,347</td><td>48,96,347</td></tr></table>	Particulars	Within 6 months	6 months to 1 year	Total	Trade Payables	2,98,992	62,38,235	65,37,227	Other current financial liability	---	80,02,463	80,02,463	Trade Payables	52,88,005	62,38,235	1,15,26,240	Other current financial liability	---	48,96,347	48,96,347	Trade Payables	90,95,530	---	90,95,530	Other current financial liability	---	48,96,347	48,96,347
Particulars	Within 6 months	6 months to 1 year	Total																										
Trade Payables	2,98,992	62,38,235	65,37,227																										
Other current financial liability	---	80,02,463	80,02,463																										
Trade Payables	52,88,005	62,38,235	1,15,26,240																										
Other current financial liability	---	48,96,347	48,96,347																										
Trade Payables	90,95,530	---	90,95,530																										
Other current financial liability	---	48,96,347	48,96,347																										

26	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, Director Shri Sultan Ahmed, Director from 26/05/2016 Shri Pankaj Yadav, Director up to 30/04/2016 Shri S S Jain COO-Delhi Shri M. V. Padmanabhan 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.				
27	Details of related party transactions during the year ended 31 March, 2017 and balances outstanding as at 31 March, 2016:				
		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	-	1,01,97,478	-	1,01,97,478	
	-	(1,30,41,478)	-	(1,30,41,478)	
Advances to parent company	-	1,74,213	-	1,74,213	
	-	(1,74,213)	-	(1,74,213)	
Advances from parent company	-	59,57,463	-	59,57,463	
	-	(48,96,347)	-	(48,96,347)	
Provision for doubtful receivables, loans and advances	-	-	-	-	
	-	-	-	-	
Note: Figures in bracket relates to the previous year					

28	First time adoption of Ind AS
A.	First Ind AS Financial statements These are the company's first separate financial statements prepared in accordance with Ind AS applicable as at March 31, 2017. The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended March 31, 2017, the comparative information presented in these financial statements for the year ended March 31, 2016 and in the preparation of an opening Ind AS balance sheet at April 1, 2015 (the date of transition). In preparing its opening Ind AS balance sheet, the Company has adjusted the amounts reported previously in financial statements prepared in accordance with the accounting standards notified under Companies (Accounting Standards) Rules, 2006 (as amended) and other relevant provisions of the Act (previous GAAP or Indian GAAP). An explanation of how the transition from previous GAAP to Ind AS has affected the company's financial position, financial performance and cash flows is as follows: Optional exemptions availed Deemed cost Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition after making necessary adjustments for de-commissioning liabilities. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Assets and investment property covered by Ind AS 40 Investment Properties. Accordingly, the company has elected to measure all of its property, plant and equipment at their previous GAAP carrying value. Mandatory exceptions applied Estimates An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error. Ind AS estimates as at April 1, 2015 are consistent with the estimates as at the same date made in conformity with previous GAAP except where Ind AS required a different basis for estimates as compared to the previous GAAP. De-recognition of financial assets and liabilities Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions. The company has applied the de-recognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS. Classification and measurement of financial assets Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of the facts and circumstances that exist at the date of transition to Ind AS.

		As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
29	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	10503998
	(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	3496764
	(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	4349058
	(a) (iv) AY 2007-08 case pending ITO as commissioner allowed part appeal and send it for reassessment	-	634,050	634050
	(a) (v) AY 2008-09 case pending with ITO for details of demand	461,669	461,669	461669
	(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	822985
	(a) (vii) AY 2010-11 demand adjusted against the refund of AY 2012-13	-	23,057	23057
	(b) Guarantees: Guarantee given by Banks			
	Indian Overseas Bank (PBG) for ISP License valid upto 23.04.17	-	20,000,000	20000000
	Indian Overseas Bank (FBG) for ISP License valid upto 22.08.16	-	1,000,000	1000000
	(c) Claim not acknowledged as debt (Axiom France)	15,198,193	15,198,193	15198193
30	The company operates in one segment i.e. providing of services in India.			
31	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, 2017 and March 31, 2016.			
	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.			
32	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.			
33	Details of consumption of imported and indigenous items are Nil for the company. The company has made domestic trading purchases of Rs15250 and made trading sales of Rs 17000 & WIP stock of Rs Nil The gross sale of services was Rs 54783382			
	During previous domestic trading purchase was Rs Nil, Trading sales Rs Nil & WIP stock of Rs Nil & the gross sales of service was Rs 13696673/-			

34	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.
35	Since the submarine cable project was abandoned, the payment of Rs.1,13,21,000/- made for its pre-operative expenses had been treated as deferred revenue expenses and accordingly they are shown under other non-current assets to be amortized in 5 years. As these deferred revenue expenses pertain to the earlier year, this would not impact to the financial statements of the company for the year. Therefore, Rs 22,64,200 have been amortized or deducted from surplus / (deficit) in statement of Profit & Loss under the head of 'Reserve & Surplus' from the financial year 2014-15 and subsequent year
36	The MTNL & BSNL have entered into Joint venture project through the Company for the purpose of submarine cable project vide shareholder agreement dated 16.12.2009. As per para 4.1.1 BSNL and affiliates shall subscribed upto to 50% of equity shares capital (i.e. 1 crore equity shares of Rs.10/- each) but B.S.N.L has not contributed for said share. As per para 4.1.2 of the agreement BSNL has agreed to contribute the 50% of the sum of preoperative and preliminary expenses incurred by MTNL in respect of formation of MTL subject to ceiling of Rs. 34,80,405. The Company has not collected the preliminary and preoperative expenses as per the terms of Joint venture agreement.
37	As per 59th Board meeting dated 19.6.2013 DOT has directed to keep BSNL as a partner upto 50%. But BSNL withdrawn from the Joint Venture and after the dismantling of the submarine cable project Board desired that this fact be brought to the notice of DOT. But BSNL letter dated 29.02.2013 intimating their withdrawal from joint venture and letter of MTL intimating the fact of withdrawal of Joint venture to DOT are not available on record for verification.
38	Account balance confirmation and reconciliation not available for transactions and balances with Holding Company.
39	No details available regarding status of Statutory remittances pending as per Note No.8 towards service tax liability of Rs.540054/-.
40	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.
41	Bank statement not provided by ICICI Bank having balance of Rs 100825 as account is stated dormant by the bank

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 VARUN V BRAMHECHA
Partner
Membership No. 136414

Sunil Kumar
Chairman & Director

Sultan Ahmed
Director

A C KUMAR
IFA

Place: Mumbai
Date : 26 May 2017

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, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Income Tax AY 2003-04	63,75,775	59,83,525	59,83,525
Income Tax Paid (A.Y. 2004-05)	34,96,764	34,96,764	34,96,764
Income Tax Paid (A.Y. 2005-06)	38,19,306	38,19,306	38,19,306
Income Tax Paid (A.Y. 2007-08)	-	8,87,423	8,87,423
Income Tax Paid (A.Y. 2009-10)	-	5,23,731	5,23,731
Income Tax Paid (A.Y. 2010-11)	-	6,20,589	6,20,589
Income Tax Paid (A.Y. 2011-12)			5,90,228
Income Tax Paid (A.Y. 2012-13)			4,34,789
FBT Paid (A.Y. 2007-2008)			9,380
FBT Paid (A.Y. 2009-2010)			5,891
Income Tax Paid (A.Y. 2015-16)	-	12,32,906	12,32,906
Income Tax Paid (A.Y. 2016-17)	-	8,30,000	
Income Tax Paid (A.Y. 2017-18)	-		
	1,36,91,845	1,73,94,244	1,76,04,532
Less: Provision for taxation Current Year	(73,85,188) 0	(1,11,34,187)	(1,06,32,034)
Total	63,06,657	62,60,057	69,72,498
TDS Assets:-			
TDS Assests F.Y 2012-13			2,01,388
TDS Assests F.Y 2013-14			2,72,605
TDS Assests F.Y 2014-15	-	2,78,324	1,70,827
TDS Assests F.Y 2015-16	14,986	6,45,890	
TDS Assests F.Y 2016-17	3,671	-	
TOTAL	63,25,314	71,84,271	76,17,318

Annexures to note no 5

Inventories	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Trading Goods			
Telexcell Purchases of Material	-	-	
	-		
WIP			
Telexcell Purchase Services	-	-	1213940
At Jammu & Kashmir E Gov	-	-	1785878
	-	-	29,99,818

Annexures to note no 6

Trade Receivable	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Considered Good			
CE (BW), MTNL, Delhi	17,24,630	17,24,630	17,24,630

Trade Receivable	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
CE (BW), MTNL, Mumbai	12,60,870	12,60,870	12,60,870
GM (Mktg & PR), MTNL, Mumbai	2,67,400	2,67,400	2,67,400
GM (Mktg), MTNL, Delhi	60,10,020	60,10,020	60,10,020
GM (Mktg-GSM), MTNL Delhi	1,20,410	1,20,410	1,20,410
GM (Mktg-GSM), MTNL, Mumbai	32,400	32,400	32,400
SVP (Mktg), MTNL, CO	3,75,255	3,75,255	3,75,255
GM (Mktg), MTNL, Delhi (CUH project)	4,06,493	32,50,493	89,62,090
JAMMU & KASHMIR E GOV	90,09,138	86,91,888	13,23,190
National Highway Authority India Ltd		1,27,210	
AIR India Ltd			19,397
	1,92,06,616	2,18,60,576	2,00,95,662
Considered doubtful			
Cement Corporation of India	2,15,771	2,15,771	2,15,771
HPSEDC	58,200	58,200	58,200
	2,73,971	2,73,971	2,73,971
Provision for bad-debt	2,73,971	2,73,971	2,73,971

Annexures to note no 7

Cash and Bank Balance	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Balances with banks			
(i) In current accounts			
IOB A/C	2,01,738	67,98,867	15,29,202
ICICI A/C	1,00,825	1,00,825	1,00,825
	3,02,563	68,99,692	16,30,027
(ii) In deposit fixed deposit accounts	4,49,53,665	2,80,01,551	2,02,17,830

Annexures to note no 9

Other current asset	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Income Tax refund receivable AY 2007-08	6,36,478		
Income Tax refund receivable AY 2015-16	2,65,592		
Income Tax refund receivable AY 2017-18	3,76,938		
TOTAL	12,79,008	-	-

Annexures to note no 10

Balance with statutory authorities	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Income Tax penalty AY 2003-04			40,55,448
Income Tax penalty AY 2004-05	-	-	28,17,432
Income Tax penalty AY 2005-06	-	-	26,88,755
CENVAT Reversed		1,78,800	
Cess Reversed		5,364	
CENVAT Credit receivable	45,64,281	6,25,459	
Cess credit receivable	20,761	15,397	
Krishi Kalyan Cess credit	1,64,758	-	
	47,49,800	8,25,020	95,61,635

Annexures to note no 14

Trade payable	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Sundry creditors			
Telexcell Information System Ltd	98,645	43,62,424	89,91,173
ITI Limited	36,935	7,15,210	—
GAAP Education Pvt Ltd	62,38,235	62,38,235	—
Creditor for expenses			
AK Jain & Co.	3,150	4,950	5,786
BRAMHECHA MODI & CO	67,500	—	—
A.M.Jain & Co.	67,500	1,51,661	—
RSD ASSOCIATES	21,000	—	—
UNNITHAN	4,262	—	—
CS-V. K. Sharma	—	53,760	—
Nagendra Singh Rathore	—	—	98,571
TOTAL	65,37,227	1,15,26,240	90,95,530

Annexures to note no 15

Other current financial liabilities	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Advances from related parties			
Holding Company Mahanagar Telephone Nigam Ltd			
Delhi Unit	47,09,044	36,37,928	36,37,928
Mumbai Unit	12,48,419	12,48,419	12,48,419
	59,57,463	48,86,347	48,86,347
Trade / security deposits received			
EMD FROM TELEXCELL	10,000	10,000	10,000
Deposit from Vikash Buildtech	16,35,000	—	—
DEPOSIT OF BDA	4,00,000	—	—
	20,45,000	10,000	10,000

Annexures to note no 16

Current Provision	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Provision for Expenses	—	4,14,054	19,05,060
Provision for J & K Expenses	—	—	17,85,878
Provision for Air India	81,937	—	—
Provision for CUH-WiFi	2,59,167	—	—
Provision for MPLS toll plaza	1,12,000	—	—
Provision for UP GIS project	1,19,54,457	—	—
Provision for other exp	9,000	—	—
Outstanding Expenses	—	2,280	—
Insurance Charges Payable	3,000	3,000	3,000
License Fees Payable including interest	—	1,93,912	1,69,624
Ind AS Adj-License Fees Payable including interest	—	88,202	88,202
	1,24,19,561	7,01,448	39,51,764

Annexures to note no 17

Other current liabilities	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees	As at April 01, 2015 Rupees
Income Received in Advance			
Web Hoasting Service	-	42,225	36,708
RF Connectivity	1,15,533	1,15,533	1,13,148
MPLS toll Plaza	-	1,46,000	-
	1,15,533	3,03,758	1,49,856
Statutory remittances (Professional Tax, Service Tax, TDS payable)			
Service Tax Not due for Payable - 10.2%	3,10,945	3,10,945	3,10,945
Service Tax Not due for Payable - 5%	2,29,109	2,29,109	2,29,109
Professional Tax Payable	-	2,500	0
TDS Payable	32,79,800	7,55,623	2,03,784
VAT Payable	850	0	75,764
TOTAL	38,20,704	12,98,177	8,19,602

Annexures to note no 18

Revenue from operations	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees
Sales of Products	17,000	-
Sales of Service		
UP GIS SURVEY	4,71,60,750	-
Other service's to MTNL	-	16,74,204
RF connectivity to AIR India	1,93,968	1,91,583
Web Hosting Charges to NHAI	42,225	10,23,688
MPLS CONNECTIVITY	1,46,000	1,76,000
Training & Education Services	-	1,06,31,198
Service Tax	72,40,439	4,01,828
	5,47,83,382	1,40,98,501
Other Operational Income		
PMC Charges	6,54,000	-
	6,54,000	-

Annexures to note no 19

Other Income	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees
Interest Income		
FD Interest	24,65,227	19,98,813
Interest on Income Tax Refund	78,442	23,20,796
	25,43,669	43,19,609
Tender & EMD forfeiture		
Tender	2,19,048	-
EMD forfeiture	2,60,868	-
	4,79,916	-

Annexures to note no 21

Changes in inventories of finished goods work-in-progress and Stock-in-Trade	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees
At the end of Year		
Trading Goods	0	0
Purchases of Material	0	0
WIP		
Material	0	0
Service	0	0
Inventories at beginning of year		
Trading Goods	0	0
Purchases of Material	0	0
WIP		
Material	0	0
Service	0	2999818

Annexures to note no 24

DIRECT EXPENSES	As at March 31, 2017 Rupees	As at March 31, 2016 Rupees
Harayana University Project	-	2,59,167
UP GIS PROJECT	4,58,71,067	-
RF connectivity to AIR India	1,64,965	1,62,270
Web Hosting Charges to NHAI	33,333	9,29,147
MPLS Connectivity to toll plaza	32,800	79,200
Training & Education Services	-	83,02,333
	4,61,02,165	97,32,117



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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"), which comprise the statement of financial position as at 31 March 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies, as set out on pages 17 to 40.

In our opinion, these financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and of its financial performance, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001, the Financial Reporting Act 2004.

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 Annual Report, Corporate Governance Report and Certificate from the 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 and the Financial Reporting Act 2004, 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 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 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 skepticism 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 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 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.

Report on Other Legal and Regulatory Requirements

Mauritius Companies Act

- We have no relationship with or interests in the Company other than in our capacity as auditors.



- We have obtained all the information and explanations we have required.
- In our opinion, proper accounting records have been kept by the 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

Port Louis

Mauritius

Ashvin Mawven, ACA

Licensed by FRC

Date : 11/05/2017

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017

		The Group		The Company	
	Notes	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
ASSETS					
Non-current assets					
Property, plant and equipment	5 (a)	66,36,63,905	73,31,54,387	66,36,63,905	73,31,54,387
Investment property	5 (b)	3,96,63,741	-	3,96,63,741	-
Investment in subsidiaries	6	-	-	1,20,00,000	1,20,00,000
		<u>70,33,27,646</u>	<u>73,31,54,387</u>	<u>71,53,27,646</u>	<u>74,51,54,387</u>
Current assets					
Inventories	7	34,89,189	30,26,471	34,89,189	30,26,471
Trade and other receivables	8	5,21,77,633	6,02,54,746	5,22,25,033	6,03,01,146
Cash and cash equivalents	9	17,86,52,313	13,32,80,560	17,86,52,313	13,32,80,560
		<u>23,43,19,135</u>	<u>19,65,61,777</u>	<u>23,43,66,535</u>	<u>19,66,08,177</u>
TOTAL ASSETS		<u>93,76,46,781</u>	<u>92,97,16,164</u>	<u>94,96,94,181</u>	<u>94,17,62,564</u>
EQUITY AND LIABILITIES					
Equity					
Stated capital	10	67,37,17,949	67,37,17,949	67,37,17,949	67,37,17,949
Revenue reserves	11	1,18,59,296	38,25,289	1,19,06,696	38,71,689
Total equity		<u>68,55,77,245</u>	<u>67,75,43,238</u>	<u>68,56,24,645</u>	<u>67,75,89,638</u>
Non-current liabilities					
Payable to related companies		-	-	1,20,00,000	-
Deferred taxation	15	2,54,60,263	2,11,10,781	2,54,60,263	2,11,10,781
		<u>2,54,60,263</u>	<u>2,11,10,781</u>	<u>3,74,60,263</u>	<u>2,11,10,781</u>
Current liabilities					
Trade and other payables	12	21,31,09,273	23,10,62,145	21,31,09,273	24,30,62,145
Proposed dividend		1,35,00,000	-	1,35,00,000	-
		<u>22,66,09,273</u>	<u>23,10,62,145</u>	<u>22,66,09,273</u>	<u>24,30,62,145</u>
TOTAL EQUITY AND LIABILITIES		<u>93,76,46,781</u>	<u>92,97,16,164</u>	<u>94,96,94,181</u>	<u>94,17,62,564</u>

Approved by the Board of Directors on 11/05/2017

**Sd/-
DIRECTOR**

**Sd/-
DIRECTOR**

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

		The Group		The Company	
	Notes	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Turnover	3(c)	52,10,54,488	54,86,46,416	52,10,54,488	54,86,46,416
Cost of sales	24	<u>(14,83,82,543)</u>	<u>(15,52,79,149)</u>	<u>(14,83,82,543)</u>	<u>(15,52,79,149)</u>
Gross profit		37,26,71,945	39,33,67,267	37,26,71,945	39,33,67,267
Personnel expenses	25	(1,63,76,453)	(1,50,36,820)	(1,63,76,453)	(1,50,36,820)
Licence fees	26	(2,70,88,555)	(2,32,62,250)	(2,70,88,555)	(2,32,62,250)
Administrative expenses	27	(15,04,50,414)	(16,42,41,471)	(15,04,49,414)	(16,42,40,471)
Marketing expenses	28	(2,48,98,087)	(2,19,77,669)	(2,48,98,087)	(2,19,77,669)
Depreciation		<u>(14,02,95,312)</u>	<u>(14,82,32,277)</u>	<u>(14,02,95,312)</u>	<u>(14,82,32,277)</u>
Profit from operations	17	1,35,63,124	2,06,16,780	1,35,64,124	2,06,17,780
Other income	13	32,74,275	11,55,676	32,74,275	11,55,676
Net finance income	14	<u>90,46,090</u>	<u>48,69,085</u>	<u>90,46,090</u>	<u>48,69,085</u>
Profit before tax		2,58,83,489	2,66,41,541	2,58,84,489	2,66,42,541
Taxation	15	<u>(43,49,482)</u>	<u>(53,64,297)</u>	<u>(43,49,482)</u>	<u>(53,64,297)</u>
PROFIT FOR THE YEAR		<u>2,15,34,007</u>	<u>2,12,77,244</u>	<u>2,15,35,007</u>	<u>2,12,78,244</u>
Other comprehensive income, net of income tax					
Items that will not be reclassified subsequently to profit or loss		-	-	-	-
Items that may be reclassified subsequently to profit or loss		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year, net of income tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>2,15,34,007</u>	<u>2,12,77,244</u>	<u>2,15,35,007</u>	<u>2,12,78,244</u>
Earnings per share	16	<u>0.03</u>	<u>0.03</u>	<u>0.03</u>	<u>0.03</u>

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

THE GROUP	Stated capital Rs.	Revenue Reserves/ (Accumulated losses) Rs.	Total Rs.
Balance at 01 April 2015	67,37,17,949	(1,74,51,955)	65,62,65,994
Profit for the year	-	2,12,77,244	2,12,77,244
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2016	67,37,17,949	38,25,289	67,75,43,238
Balance at 01 April 2016	67,37,17,949	38,25,289	67,75,43,238
Profit for the year	-	2,15,34,007	2,15,34,007
Proposed dividend		(1,35,00,000)	(1,35,00,000)
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2017	67,37,17,949	1,18,59,296	68,55,77,245

THE COMPANY	Stated capital Rs.	Revenue Reserves/ (Accumulated losses) Rs.	Total Rs.
Balance at 01 April 2015	67,37,17,949	(1,74,06,555)	65,63,11,394
Profit for the year	-	2,12,78,244	2,12,78,244
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2016	67,37,17,949	38,71,689	67,75,89,638
Balance at 01 April 2016	67,37,17,949	38,71,689	67,75,89,638
Profit for the year	-	2,15,35,007	2,15,35,007
Proposed dividend		(1,35,00,000)	(1,35,00,000)
Other comprehensive income for the year, net of income tax	-	-	-
Balance at 31 March 2017	67,37,17,949	1,19,06,696	68,56,24,645

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

		The Group		The Company	
	Note	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Cash flow from operating activities					
Profit before tax		2,58,83,489	2,66,41,541	2,58,84,489	2,66,42,541
Adjustments for:-					
Depreciation		14,02,95,312	14,82,32,277	14,02,95,312	14,82,32,277
Interest received		(27,24,622)	(20,31,357)	(27,24,622)	(20,31,357)
Cost of subscribers acquisition (obsolete stock written-off)		-	51,26,905	-	51,26,905
Operating profit before working capital changes		16,34,54,179	17,79,69,366	16,34,55,179	17,79,70,366
Decrease in inventories		(4,62,718)	14,21,226	(4,62,718)	14,21,226
Decrease in trade and other receivables		80,77,113	1,32,24,276	80,76,113	1,32,23,276
(Decrease) / increase in trade and other payables		(1,79,52,872)	(1,73,79,035)	(1,79,52,872)	(1,73,79,035)
Cash generated from operations		15,31,15,702	17,52,35,833	15,31,15,702	17,52,35,833
Interest received		27,24,622	20,31,357	27,24,622	20,31,357
Net cash generated from operating activi- ties		15,58,40,324	17,72,67,190	15,58,40,324	17,72,67,190
Cash flows from investing activities					
Purchase of property, plant and equipment		(11,04,68,571)	(18,45,10,364)	(11,04,68,571)	(18,45,10,364)
Net cash used in investing activities		(11,04,68,571)	(18,45,10,364)	(11,04,68,571)	(18,45,10,364)
Net movement in cash and cash equivalents		4,53,71,753	(72,43,174)	4,53,71,753	(72,43,174)
Movements in cash and cash equivalents					
Cash and cash equivalents at the beginning of the year		13,32,80,560	14,05,23,734	13,32,80,560	14,05,23,734
Cash and cash equivalents at the end of the year	9	17,86,52,313	13,32,80,560	17,86,52,313	13,32,80,560
Net movement in cash and cash equivalents		4,53,71,753	(72,43,174)	4,53,71,753	(72,43,174)



MAHANAGAR TELEPHONE (MAURITIUS) LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
<i>IFRS 9, Financial Instruments</i>	<i>01-Jan-18</i>
<i>IFRS 15, Revenue from Contracts with Customers</i>	<i>01-Jan-18</i>
<i>IFRS 16, Leases</i>	<i>01-Jan-19</i>
<i>Amendments to IAS 7, Statement of Cash Flows</i>	<i>01-Jan-17</i>
<i>Amendments to IAS 12, Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses</i>	<i>01-Jan-17</i>
<i>Improvements to IFRSs (2016)</i>	
- <i>IFRS 12, Disclosure of Interests in Other Entities</i>	<i>01-Jan-17</i>
- <i>IAS 28, Investments in Associates and Joint Ventures</i>	<i>01-Jan-18</i>

Except as disclosed below, the directors of the Company expect the adoption of the other standards above will have no material financial impact on the financial statements in the period of initial application.

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) *Statement of compliance*

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

(b) *Basis of preparation*

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) *Basis of consolidation*

(i) *Business combinations*

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognized immediately in profit or loss. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not premeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss. If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination.

This determination is based on the market based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(ii) *Non-controlling interests*

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or

- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iv) Loss of control

On the loss of control, the Group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(d) Revenue recognition

Revenue from sale of goods and rendering of services

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances and is shown net of Value Added Tax.

International revenue is derived from outgoing calls from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the Company's network.

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

The two subsidiaries of the Company had not yet started operations during the year under review and, as such, did not derive any income.

Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(e) Functional and presentation currency

(i) Reporting currency

The financial statements are presented in Mauritian Rupees (Rs), which is the 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 profit or loss and reflected in an allowance account. When the Group and the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

(l) Provisions

Provisions are recognised when the Group and the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group and the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(m) Property, plant and equipment

Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

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

The annual depreciation rates used 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 %
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(o) Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the FIFO basis.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's and the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the period of the revision and future periods if the revision affects both current and future periods.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Key sources of estimation uncertainty

With regards to the nature of the Group's and the Company's business there were no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.2 Going concern

The Group's and the Company's management has made an assessment of the Group's and the Company's ability to continue as a going concern and is satisfied that the Group and the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis. .

5(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 2016	13,70,10,859	9,67,858	1,14,26,246	12,32,193	44,78,611	1,27,48,09,521	1,42,99,25,288
Additions	-	27,000	-	67,060	4,60,000	10,99,14,511	11,04,68,571
Transfer to investment property	(4,56,70,286)	-	-	-	-	-	(4,56,70,286)
At 31 March 2017	9,13,40,573	9,94,858	1,14,26,246	12,99,253	49,38,611	1,38,47,24,032	1,49,47,23,573
DEPRECIATION							
At 01 April 2016	1,18,37,013	9,11,913	49,40,940	9,81,191	16,62,304	67,64,37,539	69,67,70,901
Charge for the year	41,21,748	6,593	12,53,940	67,888	5,19,186	13,22,65,083	13,82,34,438
Transfer to investment property	(39,45,671)	-	-	-	-	-	(39,45,671)
At 31 March 2017	1,20,13,090	9,18,506	61,94,880	10,49,079	21,81,490	80,87,02,622	83,10,59,668
NET BOOK VALUE							
At 31 March 2017	7,93,27,483	76,352	52,31,366	2,50,174	27,57,121	57,60,21,410	66,36,63,905
At 31 March 2016	12,51,73,846	55,945	64,85,306	2,51,002	28,16,307	59,83,71,982	73,31,54,387

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 2016	-	-
Transfer from property, plant and equipment	4,56,70,286	4,56,70,286
At 31 March 2017	4,56,70,286	4,56,70,286
DEPRECIATION		
At 01 April 2016	-	-
Transfer from property, plant and equipment	39,45,671	39,45,671
Charge for the year	20,60,874	20,60,874
At 31 March 2017	60,06,545	60,06,545
NET BOOK VALUE		
At 31 March 2017	3,96,63,741	3,96,63,741
At 31 March 2016	-	-

Note: The amount transferred from property, plant and equipment represents the portion of the building that is being rented out to third parties.

6. Investment in subsidiaries

	<u>THE COMPANY</u>	
	2017 Rs.	2016 Rs.
Unquoted investment at cost		
At 01 April 2016	1,20,00,000	1,20,00,000
Additions	-	-
As 31 March 2017	<u>1,20,00,000</u>	<u>1,20,00,000</u>

Details of Company's investment in subsidiaries:-

2017 and 2016					
Name of Company	Country of Incorporation	Class of Shares	Principal Activity	Nominal Value of Investment Rs.	Holding %
MTML Data Ltd	Mauritius	Ordinary	Telecommunications	2,000,000	100
MTML International Ltd	Mauritius	Ordinary	Telecommunications	10,000,000	100

7. Inventories

	The Group and the Company	
	2017 Rs.	2016 Rs.
Stock of Subscribers Equipment	<u>34,89,189</u>	<u>30,26,471</u>

Note:

- All stocks were at costs
- All costs of inventories have been expensed during the year.
- The above inventories are held free of any charge.

8. Trade and other receivables

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade receivables	3,93,79,731	4,50,01,845	3,93,79,731	4,50,01,845
Other receivables and prepayments	1,27,97,902	1,52,52,901	1,28,45,302	1,52,99,301
	<u>5,21,77,633</u>	<u>6,02,54,746</u>	<u>5,22,25,033</u>	<u>6,03,01,146</u>

9. Cash and cash equivalents

	<u>The Group and The Company</u>			
Interest bearing deposits	11,75,00,000	5,75,00,000	11,75,00,000	5,75,00,000
Cash at bank	6,10,10,906	7,55,04,463	6,10,10,906	7,55,04,463
Cash in hand	1,41,407	2,76,097	1,41,407	2,76,097
	<u>17,86,52,313</u>	<u>13,32,80,560</u>	<u>17,86,52,313</u>	<u>13,32,80,560</u>

10. Stated Capital

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Ordinary shares of no par value	<u>67,37,17,949</u>	<u>67,37,17,949</u>	<u>67,37,17,949</u>	<u>67,37,17,949</u>

11. Revenue reserves

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
At 01 April 2016	38,25,289	(1,74,51,955)	38,71,689	(1,74,06,555)
Total comprehensive income for the year	2,15,34,007	2,12,77,244	2,15,35,007	2,12,78,244
Dividend proposed	(1,35,00,000)	-	(1,35,00,000)	-
At 31 March 2017	<u>1,18,59,296</u>	<u>38,25,289</u>	<u>1,19,06,696</u>	<u>38,71,689</u>

12. Trade and other payables

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Trade payables	13,07,30,179	11,23,30,745	13,07,30,179	11,23,30,745
Other payables	8,23,79,094	9,96,99,407	8,23,79,094	11,16,99,407
Amount due to holding company	-	1,90,31,993	-	1,90,31,993
	<u>21,31,09,273</u>	<u>23,10,62,145</u>	<u>21,31,09,273</u>	<u>24,30,62,145</u>

13. Other Income

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Other Income	<u>32,74,275</u>	<u>11,55,676</u>	<u>32,74,275</u>	<u>11,55,676</u>

14. Net Finance Income

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Interest income	27,24,622	20,31,357	27,24,622	20,31,357
Foreign exchange gain	63,21,468	28,37,728	63,21,468	28,37,728
	<u>90,46,090</u>	<u>48,69,085</u>	<u>90,46,090</u>	<u>48,69,085</u>

15. Taxation

The Company is liable to income tax at the rate of 15% (2016: 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	
	2017	2016	2017	2016
	Rs.	Rs.	Rs.	Rs.
Current tax charge	-	-	-	-
Corporate Social Responsibility (CSR) provision	-	-	-	-
Deferred tax charge	43,49,482	53,64,297	43,49,482	53,64,297
Total tax expense for the year	43,49,482	53,64,297	43,49,482	53,64,297
Reconciliation of effective taxation				
Profit before taxation	2,58,83,489	2,66,41,541	2,58,84,489	2,66,42,541
Income tax at 15%	38,82,523	39,96,231	38,82,673	39,96,381
Non-allowable expenses	16,809	17,916	16,809	17,916
Tax rate differential	4,50,000	13,50,000	4,50,000	13,50,000
	43,49,332	53,64,147	43,49,482	53,64,297
Deferred tax Liabilities				
At 01 April 2016	(2,11,10,781)	(1,57,46,484)	(2,11,10,781)	(1,57,46,484)
Movement during the year	(43,49,482)	(53,64,297)	(43,49,482)	(53,64,297)
At 31 March 2016	(2,54,60,263)	(2,11,10,781)	(2,54,60,263)	(2,11,10,781)
Deferred tax liabilities are analysed as follows:				
Accelerated capital allowances	(5,16,41,787)	(5,11,40,294)	(5,07,66,602)	(5,11,40,294)
Tax losses	2,57,31,524	2,86,79,513	2,48,56,339	2,86,79,513
Provision for bad debts	4,50,000	13,50,000	4,50,000	13,50,000
	(2,54,60,263)	(2,11,10,781)	(2,54,60,263)	(2,11,10,781)

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 2017.

17. Profit from operations

	The Group and The Company	
	2017	2016
	Rs.	Rs.
Profit from operations is arrived at after charging the following items:-		
Staff costs	1,63,76,453	1,50,36,820
Director's fees	15,000	15,000
Depreciation on property, plant and equipment	14,02,95,312	14,82,32,277
Auditors' remuneration	1,20,000	90,000
Number of employees at end of the year	12	12

18. Related party transactions

The Group and The Company

The Company had the following transactions and balances with related parties.

Remuneration and other short term benefits to key management personnel	<u>47,00,368</u>	<u>44,60,477</u>
Amount due to holding company	-	1,90,31,993
Amount due to related companies	<u>1,20,00,000</u>	<u>1,20,00,000</u>

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 2016.

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. 14,725,000.

(b) Bank guarantee

There is a contingent liability not provided for in the accounts in respect of guarantees given to third parties amounting to Rs 15,926,518/-.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 2017, 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	2017		2016	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets				
Trade and other receivables	5,21,77,633	5,21,77,633	6,02,54,746	6,02,54,746
Cash and cash equivalents	17,86,52,313	17,86,52,313	13,32,80,560	13,32,80,560
	<u>23,08,29,946</u>	<u>23,08,29,946</u>	<u>19,35,35,306</u>	<u>19,35,35,306</u>
Financial liabilities				
Trade and other payables	<u>21,31,09,273</u>	<u>21,31,09,273</u>	<u>23,10,62,145</u>	<u>23,10,62,145</u>

The COMPANY	2017		2016	
	Carrying amount Rs.	Fair value Rs.	Carrying amount Rs.	Fair value Rs.
Financial assets				
Trade and other receivables	5,22,25,033	5,22,25,033	6,03,01,146	6,03,01,146
Cash and cash equivalents	17,86,52,313	17,86,52,313	13,32,80,560	13,32,80,560
	<u>23,08,77,346</u>	<u>23,08,77,346</u>	<u>19,35,81,706</u>	<u>19,35,81,706</u>
Financial liabilities				
Trade and other payables	<u>21,31,09,273</u>	<u>21,31,09,273</u>	<u>24,30,62,145</u>	<u>24,30,62,145</u>

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's and the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

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

The Group	2017		2016	
	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs
Mauritian Rupee (MUR)	18,89,22,164	13,81,65,120	15,03,22,845	17,93,50,080
United States Dollar (USD)	2,94,02,059	7,49,44,153	2,49,79,680	5,17,12,065
Euro (EUR)	1,25,05,723	-	1,82,32,781	-
	<u>23,08,29,946</u>	<u>21,31,09,273</u>	<u>19,35,35,306</u>	<u>23,10,62,145</u>

Sensitivity analysis

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against USD at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

The Group	Rate – MUR/USD		2017	2016
	2017	2016	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	36.50	34.84	(4,55,42,094)	(2,67,32,385)
Increase of 1%	36.87	35.19	(4,59,97,515)	(2,69,99,709)
Difference			<u>4,55,421</u>	<u>2,67,324</u>

A 1 percent weakening of MUR against USD at 31 March would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

The Group	Rate – MUR/USD		2017	2016
	2017	2016	Rs	Rs
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	36.50	34.84	(4,55,42,094)	(2,67,32,385)
Decrease of 1%	36.14	34.49	(4,50,86,673)	(2,64,65,061)
Difference			<u>(4,55,421)</u>	<u>(2,67,324)</u>

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against EUR at 31 March would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

The Group	Rate – MUR/EUR		2017	2016
	2017	2016	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	39.00	39.44	1,25,05,723	1,82,32,781
Increase of 1%	39.39	39.83	1,26,30,780	1,84,15,109
Difference			<u>(1,25,057)</u>	<u>(1,82,328)</u>

A 1 percent weakening of MUR against EUR at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

The Group	Rate – MUR/EUR		2017	2016
	2017	2016	Rs	Rs
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	39.00	39.44	1,25,05,723	1,82,32,781
Decrease of 1%	38.61	39.05	1,23,80,666	1,80,50,453
Difference			<u>1,25,057</u>	<u>1,82,328</u>

The Company	2017		2016	
	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs
Mauritian Rupee (MUR)	18,89,69,564	13,81,65,120	15,03,69,245	19,13,50,080
United States Dollar (USD)	2,94,02,059	7,49,44,153	2,49,79,680	5,17,12,065
Euro (EUR)	1,25,05,723	-	1,82,32,781	-
	<u>23,08,77,346</u>	<u>21,31,09,273</u>	<u>19,35,81,706</u>	<u>24,30,62,145</u>

Sensitivity analysis

Foreign currency sensitivity analysis

A 1 percent strengthening of MUR against USD at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Company	Rate – MUR/USD		2017	2016
	2017	2016	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	36.50	34.84	(4,55,42,094)	(2,67,32,385)
Increase of 1%	36.87	35.19	(4,59,97,515)	(2,69,99,709)
Difference			4,55,421	2,67,324

A 1 percent weakening of MUR against USD at 31 March would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2015.

The Company	Rate – MUR/USD		2017	2016
	2017	2016	Rs	Rs
Assume decrease of 1% in exchange rate				
Before sensitivity analysis	36.50	34.84	(4,55,42,094)	(2,67,32,385)
Decrease of 1%	36.14	34.49	(4,50,86,673)	(2,64,65,061)
Difference			(4,55,421)	(2,67,324)

A 1 percent strengthening of MUR against EUR at 31 March would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

The Company	Rate – MUR/EUR		2017	2016
	2017	2016	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	39.00	39.44	1,25,05,723	1,82,32,781
Increase of 1%	39.39	39.83	1,26,30,780	1,84,15,109
Difference			(1,25,057)	(1,82,328)

A 1 percent weakening of MUR against EUR at 31 March would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2016.

The Company	Rate – MUR/EUR		2017	2016
	2017	2016	Rs	Rs
Assume increase of 1% in exchange rate				
Before sensitivity analysis	39.00	39.44	1,25,05,723	1,82,32,781
Increase of 1%	38.61	39.05	1,23,80,666	1,80,50,453
Difference			1,25,057	1,82,328

(ii) Interest rate risk

Financial instruments subject to interest rate risk consist of bank balances. Interest rates applicable to bank balances fluctuate with movements in the prime lending rate and are comparable with rates currently available on the market. The Group's and the Company's variable interest rate instruments are analysed as follows:

	The Group and The Company	
	2017	2016
	Rs.	Rs.
Bank balances	17,85,10,906	13,30,04,463

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 2017 would have increased by Rs. 892,555 (2016: Rs. 665,022).

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

	2017 Rs.	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.
Issued and fully paid up share capital	<u>67,37,17,949</u>	<u>67,37,17,949</u>	<u>67,37,17,949</u>	<u>67,37,17,949</u>	<u>67,37,17,949</u>
Revenue reserves / (accumulated losses)	<u>1,19,06,696</u>	<u>38,71,689</u>	<u>(1,74,06,555)</u>	<u>(3,51,61,078)</u>	<u>(3,57,37,043)</u>
Profit before taxation	<u>2,58,84,489</u>	<u>2,66,42,541</u>	<u>2,40,97,661</u>	<u>1,94,60,942</u>	<u>1,11,31,109</u>
Profit after taxation	<u>2,15,35,007</u>	<u>2,12,78,244</u>	<u>1,77,54,523</u>	<u>1,38,00,972</u>	<u>67,04,662</u>

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 2016.

24. Cost of sales

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Roaming Charges	90,61,500	1,18,82,650	90,61,500	1,18,82,650
ICTA Special account fee/USF Charges	2,03,39,063	2,31,61,809	2,03,39,063	2,31,61,809
Carrier charges	6,23,63,207	5,50,18,142	6,23,63,207	5,50,18,142
IPLC charges	1,19,63,608	1,60,80,160	1,19,63,608	1,60,80,160
Cost of subscribers acquisition (obsolete stock written-off)	-	51,26,905	-	51,26,905
IUC charges	4,46,55,165	4,40,09,483	4,46,55,165	4,40,09,483
	<u>14,83,82,543</u>	<u>15,52,79,149</u>	<u>14,83,82,543</u>	<u>15,52,79,149</u>

25. Personnel expenses

Salaries and allowances	1,57,05,813	1,45,51,625	1,57,05,813	1,45,51,625
Other benefits	6,70,640	4,85,195	6,70,640	4,85,195
	<u>1,63,76,453</u>	<u>1,50,36,820</u>	<u>1,63,76,453</u>	<u>1,50,36,820</u>

26. Licence fees

PLMN	82,00,005	80,00,004	82,00,005	80,00,004
ILD	20,49,981	19,99,992	20,49,981	19,99,992
Microwave	72,40,580	46,11,258	72,40,580	46,11,258
Spectrum	45,03,000	37,56,000	45,03,000	37,56,000
ISP	50,000	50,000	50,000	50,000
Dealership	5,000	5,000	5,000	5,000
GSM Spectrum	11,99,989	9,99,996	11,99,989	9,99,996
GSM 3G	38,40,000	38,40,000	38,40,000	38,40,000
	<u>2,70,88,555</u>	<u>2,32,62,250</u>	<u>2,70,88,555</u>	<u>2,32,62,250</u>

27. Administrative expenses

	The Group		The Company	
	2017 Rs.	2016 Rs.	2017 Rs.	2016 Rs.
Meeting expenses	1,12,057	1,19,438	1,12,057	1,19,438
Fraud tracking charges	-	1,40,77,201	-	1,40,77,201
Rental for ebene	3,56,430	3,44,171	3,56,430	3,44,171
Rental accomodation	8,47,299	9,20,994	8,47,299	9,20,994
Rental BTS sites	2,69,23,902	2,15,06,455	2,69,23,902	2,15,06,455
Electricity	4,27,80,371	3,86,40,780	4,27,80,371	3,86,40,780
Water charges	3,02,746	2,42,531	3,02,746	2,42,531
Motor vehicle running expenses	5,69,753	6,35,163	5,69,753	6,35,163
SMS Expenses		15,73,730		15,73,730
Repairs and maintenance - Office	15,71,562	17,24,341	15,71,562	17,24,341
Repairs and maintenance - Shop	3,30,804	4,25,543	3,30,804	4,25,543
Repairs and maintenance - Equipment	2,64,01,655	2,41,74,178	2,64,01,655	2,41,74,178
Repairs and maintenance	6,45,537	6,79,421	6,45,537	6,79,421
Maintenance sites	40,41,201	43,45,439	40,41,201	43,45,439
Printing	9,26,993	6,41,072	9,26,993	6,41,072
Stationery	2,91,711	3,45,915	2,91,711	3,45,915
Communication expenses	14,63,732	15,38,119	14,63,732	15,38,119
Bank charges	10,64,724	10,13,859	10,64,724	10,13,859
Library books	18,190	20,314	18,190	20,314
Horticulture expenses	1,68,000	1,69,835	1,68,000	1,69,835
Computer consumables and repairs		77,830		77,830
Professional charges	3,27,599	4,92,527	3,27,599	4,92,527
General expenses	2,48,903	3,99,521	2,48,903	3,99,521
Value Added Service Revenue share	24,27,959	19,38,373	24,27,959	19,38,373
Commission and brokerage fees	2,89,28,455	3,14,08,738	2,89,28,455	3,14,08,738
Office insurance	8,38,784	8,28,998	8,38,784	8,28,998
Security charges	6,27,392	6,21,942	6,27,392	6,21,942
Licences, rates and taxes	34,66,334	26,65,295	34,65,334	26,65,295
Provision for bad debts	30,00,000	90,00,000	30,00,000	90,00,000
Lease rental	1,68,000	1,68,000	1,68,000	1,68,000
Freight charges	64,038	1,86,458	64,038	1,86,458

Directors fee	15,000	15,000	15,000	15,000
Travelling Expenses	13,00,196	31,11,426	13,00,196	31,11,426
Custom duty and clearance	2,21,087	1,87,864	2,21,087	1,87,864
	<u>15,04,50,414</u>	<u>16,42,40,471</u>	<u>15,04,49,414</u>	<u>16,42,40,471</u>

28. Marketing expenses

Electricity for shops	5,15,488	6,54,057	5,15,488	6,54,057
Club membership	15,500	16,000	15,500	16,000
Rent of shops	27,89,610	30,34,645	27,89,610	30,34,645
Call centre charges	54,80,555	60,11,145	54,80,555	60,11,145
Publicity and advertisement	1,60,28,059	1,21,89,122	1,60,28,059	1,21,89,122
Website development and maintenance	68,875	72,700	68,875	72,700
	<u>2,48,98,087</u>	<u>2,19,77,669</u>	<u>2,48,98,087</u>	<u>2,19,77,669</u>