"MTNL Wi-Fi Broadband-
Seamless connectivity
in Homes
for Desktop/Laptop/
Smart Phone"

MTNL

Transparency makes us different!

Mahanagar Telephone Nigam Ltd.

Regd. & Corporate Office : Mahanagar Doorsanchar Sadan, 5th Floor,
9 CGO Complex, Lodhi Road, New Delhi - 110 003
Phone Off. 91-11-2431 9020, Fax: 91-11-2432 4243

http://www.mtnl.in

Printed at : Printo-Graphics # 011-23593541/42

MTNL

27th Annual Report 2012-13

Mahanagar Telephone Nigam Limited

Transparency makes us different!

MTNL

Twenty Seventh Annual Report 2012-13

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Nav Ratna Company)

VISION OF MAHANAGAR TELEPHONE NIGAM LIMITED

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

MISSION OF MAHANAGAR TELEPHONE NIGAM LIMITED

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

MTNL

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MTNL

BOARD OF DIRECTORS
(AS ON 19.08.2013)

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

COMPANY SECRETARY

S.R. SAYAL

REGISTERED AND CORPORATE OFFICE

Mahanagar Doorsanchar Sadan

5th Floor, 9, CGO Complex,

Lodhi Road,

New Delhi - 110 003

Tel : 011-24319020, Fax : 24324243

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

MTNL

STATUTORY AUDITORS

M/s. V. K. DHINGRA & CO.
Chartered Accountants
1-E/15, Jhandewalan Extension, New Delhi – 110055
Phone : 011- 23528511, 23638325, Fax : 011- 23549789

M/s Arun K Agarwal & Associates.
Chartered Accountants
105,South Ex Plaza -1,389, Masjid Moth
South Ex Part - II, New Delhi - 110 049
Phone : 011 26251200, 26257400 Fax: 011-26251200

COST AUDITOR

M/s R.M.Bansal & Co.
Cost Accountants
74, State Bank Colony, G.T.Karnal Road, Delhi - 110033

BANKERS

State Bank of India, New Delhi/Mumbai
Indian Overseas Bank, New Delhi/Mumbai
Punjab National Bank, Delhi/Mumbai
ICICI Bank, New Delhi/Mumbai
Oriental Bank of Commerce, New Delhi
Central Bank of India, Mumbai/Delhi
Dena Bank, New Delhi/Mumbai
Bank of Baroda, New Delhi
Union Bank of India, New Delhi/Mumbai
United Bank of India, New Delhi
Indian Bank, New Delhi,
Axis Bank, New Delhi/Mumbai
Syndicate Bank,New Delhi
Corporation Bank,New Delhi
Allahabad bank,New Delhi
IDBI Bank,New Delhi

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

Investors Helpdesk
Ph: 011-24317225/, Fax: 011-24315655, E-mail: mtnligrc@bol.net.in

27th Annual General Meeting on Monday, September 30, 2013 at 11.15 A.M. 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 website of Stock Exchanges.

MTNL

NOTICE

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the members of **Mahanagar Telephone Nigam Limited** will be held on **Monday, 30th September, 2013** at **11.15 A.M.** at **Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003** to transact the following business :-

I. ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet of the company as on 31st March, 2013 and the Profit and Loss Account for the year ended on that date together with the reports of the Auditors and Directors thereon and the comments of the Comptroller and Auditor General of India thereon u/s 619(4) of the Companies Act, 1956.

2 To appoint directors in place of those retiring by rotation:

   (a) To appoint a director in place of Shri S.K.Shingal, who retires by rotation and being eligible, offers himself for reappointment.

   (b) To appoint a director in place of Shri V.Umashankar, who retires by rotation and being eligible, offers himself for reappointment.

3. To fix the remuneration of the Statutory Auditors appointed by the Comptroller & Auditor General of India for the Financial Year 2013-14.

By order of the Board
For **MAHANAGAR TELEPHONE NIGAM LIMITED**

sd/-

(S.R. SAYAL)
Company Secretary

Place : New Delhi
Date : 25th August, 2013

NOTES

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT MAHANAGAR DOOR SANCHAR SADAN, 5TH FLOOR, 9 C.G.O. COMPLEX, LODHI ROAD, NEW DELHI-110003 NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING. PROXY FORM IS ANNEXED.**

2. The Register of members and Share Transfer Books will remain closed from 25th September to 30th September, 2013 (Both days inclusive).

3. The Members are requested to notify immediately **change of address and e-mail address,** if any, to :-

   (i) The company's Registrar & Transfer Agent, M/s. Beetal financial & Computer Services (P) Ltd. 3rd Floor, Beetal House 99,Madangir, Behind Local Shopping Centre Near Dada Harsukhdas Mandir, New Delhi - 110 062 in case the shares are held in physical form and

   (ii) To the respective Depository Participant (DP) with whom the members are having their Demat Accounts, in case the shares are held in electronic form.

4. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 01.00 p.m. on all working days from the date hereof upto the date of the Meeting.

5. Members desirous of getting any information about the accounts and /or operations of the Company are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to keep the information ready at the Meeting.

6. The annual report of the Company circulated to the Members of the Company, will be made available on the Company's website at www.mtnl.net.in and also will be available on the website of Stock Exchanges.

7. Members are requested to fill up their name, folio no. /ID No. and to affix their signature at the space provided on the attendance sheet (given at the end of the Annual Report) and hand over the same at the entrance of the venue of the meeting.

8. Members may avail of the nomination facility as provided under Section 109A of the Companies Act, 1956.

9. Members are requested to note that the Company's equity shares are under compulsory demat trading for all investors, pusuant to the provisions of SEBI Circular No. 21/99 dated July 8, 1999. Members are, therefore, requested to dematerialise their shareholding if not done so far, to avoid inconvenience.

10. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to our Registrar and Transfer Agent, for consolidation into a single folio.

11. Pursuant to Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed amount of dividends paid up to 2005-2006, to the General Revenue Account/ Investor Education and Protection Fund of the Central Government. The amount of Unclaimed Dividend upto the Financial Year ended 31st March, 2006 would be transferred to the IEPF as such members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 2006 and / or subsequent years are requested to submit their claims to the Company without any delay.

12. **Green Initiative -** As per the Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29, 2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/documents and annual reports to shareholders, vide which your Company in the last year, circulated the Annual Report through electronic mode to the shareholders who have opted for receiving the Annual Report through their email id, and had confirmed the same. This year also the same will be followed. Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts which will be peridically downloaded from NSDL/CDSL will be deemed to be your registered email address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956. The Notice of AGM and the copies of Audited Financial Statements, Directors' and Auditors' Report, etc. will also be displayed on the website **www.mtnl.net.in** of the Company and the other requirements of the aforesaid MCA circular will be duly complied with. To the shareholders who have not opted to electronic delivery of notices/documents and annual reports or whose email id's are not available, Annual Report for the Financial Year 2012-13 has been sent through Book Post.

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

PLEASE NOTE THAT NO GIFTS OF ANY SORT WOULD BE DISTRIBUTED AT THE AGM

By order of the Board
For **MAHANAGAR TELEPHONE NIGAM LIMITED**
sd/-
(S.R. SAYAL)
Company Secretary

Place : New Delhi
Date : 25th August, 2013

MTNL

DIRECTOR'S REPORT

To

The Shareholders
of **Mahanagar Telephone Nigam Limited**

Dear Shareholders,

Your Directors present the 27th Annual Report of your Company together with the Statement of Accounts and Auditors' Report as well as comments of Comptroller & Auditor General of India on the Accounts for the financial year ended on March 31, 2013.

PERFORMANCE REVIEW OF MTNL FOR THE FY 2012-13

(i) GSM / 3G Services -

Expansion / upgradation of GSM & 3G Networks:

- The present HSDPA enabled 3G network supporting download speeds up to 3.6 Mbps and uploads speed upto 384 Kbps is being upgraded to HSPA+ supporting download speed upto 21.1 Mbps and upload speed upto 5.76 Mbps. For meeting the enhanced Data carrying requirement of 3G network, packet core capacity will be expanded to 10 Gbps and M/W backhaul will be augmented / expanded through deployment of 100 / 200 Mbps (upgradable to 400 Mbps) Hybrid M/W systems.
- RF coverage will be improved by adding additional BTSs / Node-Bs. Initially around 580 Node-Bs & 300 BTSs in Delhi and 350 Nods-Bs & 200 BTSs in Mumbai.

Note: Tenders for augmentation / expansion of GSM/ 3G & M/W backhaul are under various stages of finalization.

(ii) Fixed Line -

Replacement of TDM switches with NGN / IMS platform: MTNL has planned to replace its TDM Fixed line switches which are becoming obsolete as their induction started around 20 years back with NGN / IMS switch in phased manner during 12th Five year plan. Introduction of NGN / IMS based services will not only help MTNL in saving space & Opex but also enable it to offer all data / video centric services currently enjoyed by Mobile subscribers, to its fixed line subscribers also. This will also lead to convergence of fixed and mobile services. C-DOT's NGN / IMS platform has been deployed after being

successfully tested. Presently, voice services to FTTH subscribers are being provided from this platform.

(iii) **Deployment of FTTH Services** (Directly and through franchisee model on revenue share basis) MTNL is adding optical fibre in its access network and is deploying FTTH based on GPON. This will enable MTNL to provide Fiber at the door steps of its esteemed customers & thereby giving access to high bandwidth applications like HDTV, VoD & very high speed data etc.

(iv) Deployment of NGCN (IPMPLS) Network:

After the conclusion of CWG-2010 held in Delhi, the state of art IP/ MPLS equipment has been redeployed at different locations in Delhi & Mumbai for creating high capacity IP Bandwidth. With this redeployment the POP locations on IP/MPLS network has increased to around 45 in Delhi & 56 in Mumbai from existing POP of 11 in Delhi & 12 in Mumbai thus bringing IP closer to the customers and helping reducing the local copper loop length to 1-2 kms as targeted during 12th five year plan. The services to the customers are expected to improve considerably with the reduction in the copper loop length.

FINANCIAL RESULTS

Sources and application of funds for the year 2012-13 are given below:-

(In Million ₹)

	2012-13	**2011-12**
Income from Operations	34286.63	33732.53
Expenditure (excluding Interest & prior period Adjustments)	78355.62	67200.21
Operating Profit /(Loss)	(44068.99)	(33467.68)
Other Income	2854.20	2511.64
Interest	11802.60	9491.62
Profit/(Loss) before Tax	(53017.40)	(40447.66)
Tax Provision for the Year	0.00	0.00
Prior Period Adjustments	193.84	650.18
Net Profit / (Loss) for the Year	(53211.23)	(41097.84)
Appropriation		
Interim/Proposed Final dividend	0.00	0.00
Dividend Tax	0.00	0.00

Transfer to/(from):		
a) Contingency Reserve	(491.29)	(189.85)
SOURCES AND USES OF FUNDS		
Authorised Capital	8000.00	8000.00
Issued, Subscribed & paid-up Capital	6300.00	6300.00
Reserves & Surplus	(34144.25)	19066.97
Secured and Unsecured Loan	115386.87	96474.93
Deferred Tax Liability (Net)	0.00	0.00
REPRESENTED BY		
Fixed Assets (Net Block)	148991.83	157601.75
Investment (Net)	2219.79	4919.79
Other Assets	102971.04	97579.89
Other liabilities	175962.46	147229.47
Capital Work-in-Progress	9322.42	8969.95

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

ISSUE OF 8.57% REEDEMABLE NON CONVERTIBLE BONDS ON PRIVATE PLACEMENT BASIS.

MTNL has issued 8.57% Semi- Annual , Unsecured, Government Guarantee Redeemable, Non Covertible, Bonds in the nature of debentures on private placement basis on 28-03-2013 amounting to ₹ 1,005 crores. The said bonds are redeemable after 10 years i.e. on 28-03-2023.

DIVIDEND

Since there has been no operating profit during the financial year 2012-13, the Board of Directors of your company expresses its inability to recommend any dividend for the year under report.

SUBSIDIARY AND JOINT VENTURE COMPANIES

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

(i) Millennium Telecom Ltd. (MTL)

MTL was formed by MTNL as its wholly owned subsidiary company basically for providing internet and other value added services. During the financial year 2012-13, MTL has no revenue from operations. The Board of MTL has decided that MTL may bid in consortium/JV with MTNL leveraging on financial and experience strength of MTNL, where MTNL may be the lead partner

and MTL be the Technical or support partner or vice-versa as the requirement may be. For this it has been decided that a standard consortium/JV agreement will be signed between the two companies. MTL may be permitted to participate in any tender in consortium/JV with MTNL, where profitability is 5% or more. For projects, having profitability less than 5%, permission of MTNL management shall be sought by MTL on case by case basis. Further the Board of MTL has decided to request MTNL to allow MTL to participate in the various tenders floated by it after giving MTL preferential treatment like exemption from payment of Tender document fee, EMD and Performance Bank Guarantee, exemption/relaxation in eligibility requirement on Financial, Experience or any other eligibility criteria defined in any tender. MTL is also planing to take sales & distribution of MTNL's Products & Services and enter into FTTH Service, segment of MTNL on revenue share Model.

In addition, MTL will look forward to take any turnkey project for providing telecom solutions to any customer within India & overseas market and offer consultancy Service in Telecom domain.

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

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

MTML is a 100% subsidiary of MTNL and is operational only in Mauritius. The company is having license for providing mobile services, international long distance services and internet services. The company initially started its operations with CDMA technology and in November, 2011 launched its GSM network of 100K lines capacity. During the year 2012-13, MTML successfully marketed the GSM services with attractive offerings and could add more than 70,000 GSM subscribers. With international roaming connectivity with around 200 networks, MTML has been able to make GSM as its main line of business in less than 18 months of its operation. The total subscriber base, including the old CDMA network, ILD and ISP was 141,699 as on 31st March'13. The company is upgrading the GSM network and plans to launch 3G services in the year 2013-14. It is also adding more network elements to ensure good quality service, taking into account the capacity utilization.

MTML has achieved a turn-over of INR 522 Million during the fiscal year 2012-13 compared to the last fiscal year turn-over of INR 475 Million, through these telecom services. Despite the intense competition and market getting saturated, the company could increase its revenue. However, the net profit was decreased to INR 19 Million (before tax) in this fiscal year compared to last fiscal year's net profit (before tax) of INR 54 Million due to increased depreciation as new GSM network has been added. MTML's own building (Ground + 7 floors) in Cyber City, is almost ready and will be available for use and leasing out by June'13.

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

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

(iii) United Telecommunications Ltd. (UTL)

The joint venture is working for providing telecom sevices in Nepal.

UTL has a total customer base of more than 6,98,298 (As per NTA MIS Report dated 13.4.2013) in numbers and the PCOs are 1,005. UTLs engineering team follows the O & M procedures scrupulously thereby ensuring fault free network round the clock. The Management closely monitors the overall performance of the network, quality of services, subscriber complaints, fault rates, BTS wise traffic and ILD traffic.

The company is sustaining its entire operations from internal revenue generation only. Monthly OPEX including the interest payments, IUC charges, etc are fully met from its internal accruals.

During the period ending 31st March 2013 (2012-13), the company has reported a net loss of INR 84.68 million.

(iv) MTNL STPI IT SERVICES LTD (MSITS)

The main objective of the company is to provide data center services, messaging services, business application services etc. In order to implement the objectives, MSITS has established the physical infrastructure of the Data Center at Chennai and space taken on lease basis from Software Technology Prices of India (STPI). The Data Center has server farm area of around 3400 sqft and the total investment made in this regard is of ₹ 477 lakhs. The Data center is maintaining 99.98% uptime on 24 X 7.

The commercial operation of the Data Center had commenced in 2009, the Ministry of External Affairs (MEA) has hosted its Passport Seva Project at MSITS Data Center through M/s TCS.

Total revenue of MSITS for the year 2012-13 is ₹ 3.60 crores while it was ₹ 2.97 crores during the year 2011-12.

In addition to the existing facility at Chennai, MSITS is in the process of setting up the Green Data Centre (GDC) in the area of about 10000 sqft each at Hyderabad and New Delhi on Public-Private Partnership (PPP) model. MSITS has appointed a consultant for assistance and RFP has been floated for selecting Industry Partner (IP).

SYSTEM STATUS AS ON 31ST MARCH, 2013

Your Company has the following equippped and used capacity of Landline, GSM, WLL etc. as on 31st March, 2013:-

MTNL

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2012-13 (31.03.2013)

S. No	Parameters	Delhi	Mumbai	Total
1	Number of switches			
2	Equipped Capacity	6,223,831	5,912,854	12,136,685
	(a) Fixed Phones including WLL Fixed Phones	2,648,831	2,570,624	5,219,455
	(b) WLL	550,000	542,230	1,092,230
	(c) GSM	3,025,000	2,800,000	5,825,000
	DLC capacity	160,152	118,046	278,198
	Digitalization % lines	100	100	200
3	DELs*	4187447	4,271,953	8,459,400
4	Details of Net DELs			
	(a) Fixed Line	1,593,551	1,866,498	3,460,049
	(b) WLL-Fixed	15,909	68,707	84,616
	(c) WLL-Mobile	68,957	25,836	94,793
	(d) GSM	2,509,030	2,310,912	4,819,942
5	Broadband			
	(a) Subscribers	521,278	597,664	1,118,942
	(b) Capacity (in ports)	788,448	845,908	1,634,356
6	IPTV	13,348	3,393	16,741
7	Internet connection	416	879,262	879,678
8	(a) Prepaid	416	45	461
	(b) Postpaid	0	879,217	879,217
9	Payphones	59,646	90,649	150,295
10	ISDN	8,604	15,437	24,041
11	DLC (No)	425	523	948
12	Tax Capacity	150,000	115,200	265,200
13	Tandem Capacity	402,500	363,240	765,740
14	Optical fiber cable			
	(a) In Route KMs	8,501.66	7,843.24	16,344.90
	(b) In Fiber KMs	266,956.12	252,583.13	519,539.25
15	Leased Circuits	12,766	36,860	49,626
16	Replacement of PCUT Cable (in LKCM)	31.059	15.711402	46.770402

*including WLL fixed, WLL mobile & GSM

HUMAN RESOURCE DEVELOPMENT

Your Company attaches the highest priority to the quality of intellectual capital at its disposal and believes that knowledge and skill of its employees are the key to achievements of its corporate mission. It has sound recruitment policy and comprehensive training system.

During the past one year, your Company has laid greater emphasis on Human Resources Development. We have been devoting substantial resources on building a skilled workforce that has an capability to counter threats posed by ever changing business environment and to take advantages of opportunities presented to serve ever increasing customer base.

The Company has been conducting various training and development activities which apart from reorienting the employees towards the greater organizational purpose, are also focusing on eliminating any skill gap and technical obsolescence. The managements' view on training is one of development of employee's overall personality and enabling them in becoming a vital productive resource.

TRAINING TARGETS AND ACHIEVEMENTS

The Training Targets and Achievements for the Financial year 2012-13 is given below:-

UNIT	Number of Persons Trained Target	Achievement	Number of Man Days Target	Achievement
DELHI	7500	3137	27349	35004
MUMBAI		4498		15137
TOTAL	**7500**	**7635**	**27349**	**50141**

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

(I) THE INSTITUTE OF TELECOM, TECHNOLOGY & MANAGEMENT (ITTM) SHADIPUR, 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 2012-13, ITTM has successfully trained 2209 in-house personnel with an achievement of 11811 Man days. Industrial Training were also successfully provided to 928 Trainees with an achievement of 23193 Man days.

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

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

The Centre for Excellence in Telecom Technology & Management (CETTM) is situated at Technology Street, Hiranandani Garden, Powai,Mumbai. The competition in the field of training is increasing tremendously with each passing day. Despite of the fierce competition, CETTM has successfully shown a net revenue of 12.75 Cr during the financial year 2012-13 with clientèle from various sectors like Telecom, BPO, Banking, Finance, Oil, Pharma, IT, etc. Keeping to its tradition, CETTM has also added more than 36 new clients to its already existing long clientèle. Two new courses were designed & launched for Engineering College students. 30 batches were conducted to train the students of engineering colleges. 708 students were trained under Corporate Social Responsibility (CSR), while 82 students took part in one/two months Project training works/ Industrial training to students of various Engineering colleges during 2012-13.

Under ITEC -SCAAP program, sponsored by MEA, Govt. Of India, CETTM has successfully completed 18 programs and launched 3 new courses in Telecom, IT & Management streams.

Apart from the above, CETTM has successfully trained 5857 in-house personnel with an achievement of 34840 Trainee Days. Moreover there was a total of 332 Programmes conducted altogether.

CETTM has also introduced 6 new customised courses for corporates which included 89 participants. It also tied up with Welingkar Institute for providing Post Graduate Program on Telecom Management.

CETTM was also engaged in some other business like leasing of 2200 sq ft space on ground floor to Karnataka Bank, opened its Auditorium for commercial use & conducted two Telecom Trainings for the Training Centre faculty staff and officers from IT Ministry Afghanistan.

The efforts and the results, reiterate our commitment to the growth in terms of Business, Quality and Customer Satisfaction; and the Customers have always rewarded our good work by giving us the repeated business.

INDUSTRIAL RELATIONS

Industrial peace and Industrial harmony is based on healthy Employee Relations and like the previous year, Employees Relations remained Cordial throughout the year. The Grievances/ Issues raised by the employees/Union/Associations were given due attention and regard. The cases/issues brought up by them were settled through regular meetings and interactions between Management and Unions/Associations and action as mutually agreed was taken to settle them.

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

EMPLOYEES' WELFARE

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

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

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

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

Your Company has endeavoured to fulfill all the statutory requirements with regard to implementation of reservation policy for candidates belonging to SC/ST/OBC communities as well as Physically Challenged candidates.

WORKING CONDITIONS OF WOMEN EMPLOYEES

We are continuously striving towards gender sensitization amongst our employees. Special care has been taken in case of woman employees working in night shifts. Also to redress the issues of Sexual Harassment at workplace, special cells have been constituted.

The Report of Parliamentary Committee on empowerment of Women and the working conditions of women in MTNL is received during the year. Special grants have been sanctioned to Women Welfare Committees at Delhi/Mumbai.

CORPORATE SOCIAL RESPONSIBILITY

As per Guidelines issued by Department of Public Enterprises F no. 15(3)/2007-DPE (GM) dt 9th April 2010 loss making Companies are not mandated to earmark specific funding of CSR activities. Hence, no specific allotment is made under CSR head considering the financial results of the Company for the year.

Some of the Activities which have been carried out in MTNL keeping the CSR initiative in mind are:-

- Concession/Rebate to Senior citizens, handicapped persons, freedom fighters, Gallantry Award winners, war widows / disabled persons in Plan 250 of MTNL landline subscribers.
- Concession to Non Residential telephone in Schools / Universities/ Institutions/ Homes for aged/ orphanges recognized by the Government.
- For social cause, SMS blasts on Polio, Income Tax Return, Issues related to Human Rights Commission etc are carried out.
- Advertisement released in the souvenirs of NGO's, etc working for physically and mentally challenged persons, women empowerment, etc.
- Organizing MTNL Perfect Health Mela & Free Health checkups.

MANPOWER STATUS

As on 31st March, 2013 your company had strength of employees as per details given below:-

MTNL Employees working strength as on 31.3.2013.

Group	Working	SC	ST
A	1028	144	55
B	4463	550	83
C	23331	3844	422
D	10423	2445	806
Total	39245	6983	1366
TSM	19	-	-
Grand Total	**39264**	**6983**	**1366**

VIGILANCE

The Vigilance Department of MTNL is headed by Chief Vigilance Officer. He is an officer of the rank of Joint Secretary, Govt. of India and is appointed by Deptt of Personnel & Training (DOPT) with the concurrence of CVC for a period of 3 years extendable upto 5years. Presently Shri Khushi Ram, IRSEE, is the CVO of MTNL. The CVO is responsible for complete vigilance administration. During the year 2012-13, emphasis was laid on preventive vigilance for enhancing 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 29-10-12 to 03-11-12. During this week, various activities like pledge taking, release of booklet on "Transparency in Public Procurement" containing "DO's and DON'T, vigilance angle, quotations on anti-corruption" for internal circulation, display of posters related to honesty and integrity were carried out. An interactive programme was organized wherein special Director, CBI addressed senior officers of MTNL with more emphasis on bringing accountability and transparency in file notings/ working.

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

INTEGRITY PACT PROGRAMME WITH TRANSPARENCY INTERNATIONAL INDIA

MTNL has signed a Memorandum of Understanding (MOU) with Transparency International India (TII) for implementing an Integrity Pact Programme (IPP) focussed on enhancing transparency in its business transactions, contracts and procurement process. Under this

MOU, MTNL is committed to implementing the Integrity Pact in all its major procurement and work contract activities. Three Independent External Monitors being persons of eminence nominated by TII in consultation with Central Vigilence Commission (CVC), monitor the activities. The Integrity Pact has strengthened the established system and procedures by creating trust and has the full support of CVC.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Being a service providing organization, the relevant rules in this regard are not applicable to your Company.

FOREIGN EXCHANGE EARNINGS & EXPENDITURE

Information with regard to foreign exchange earnings and outgo in the Financial Year 2012-13 are as follows:-

Activities relating to Export and total Foreign Exchange earned and used:-

(₹ In Million)

Foreign Exchange Earned	39.50
Expenditure in Foreign Currency	30.79

CORPORATE GOVERNANCE

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

COMPLIANCE CERTIFICATE

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

COMPLIANCE OF DPE GUIDELINES & POLICIES

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

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

Your company will send Annual Report for the year 2012-13 by email to all the shareholders who are having valid email id account. Further your company request shareholders holding shares in electronic mode to keep their email addresses updated or provide their email addresses if not earlier provided to their DPs. Members holding shares in physical mode are also requested to update their email addresses by writing to the Registrar and Transfer Agent of the Company or directly to the Company by quoting their folio number(s).

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Sec 217(2AA) of the Companies Act, 1956, the Directors to the best of their knowledge and belief confirm that:

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

(ii) They had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period;

(iii) They had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 and for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(iv) They had prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

During the year under report, there was no employee who was in receipt of remuneration in excess of limits prescribed under the revised provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules, 1975.

ADDENDUM TO DIRECTORS' REPORT

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

DIRECTORS

During the year under report, the Board of Directors of your Company met frequently. At these meetings, the Board held intensive discussions on the budget, important financial transactions and various steps to face the impending competition from private operators both in Basic Telephone Service and Cellular Mobile Telephony and other value added services.

Shri A.K.Garg continued to be the CMD of the company. Shri Sushil Kumar Shingal and Shri K.S. Bariar continued to be the Independent Director and the Government Director respectively.

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

1) Shri S.P.Pachauri has ceased to be the Director (HR) w.e.f 31/10/2012.

2) Shri Malay Shrivastava has ceased to be the Govt. Director w.e.f 14/02/2013.

3) Shri V.Umashankar has been appointed as the Govt. Director w.e.f. 15/03/2013.

4) Shri Vijay Aggarwal, Shri T.S.Narayanasami & Shri Rajan Saxena have ceased to be the Directors w.e.f 30/03/2013.

5) Shri Kuldip Singh has ceased to be the Director (Tech) w.e.f 01/04/2013.

6) Smt. Anita Soni has ceased to be the Director (Finance) w.e.f 31/05/2013.

7) Shri P.K.Purwar has been appointed as the Director(Finance) w.e.f. 01/06/2013

8) Shri Sunil Kumar has been appointed as the Director(HR) w.e.f. 21/06/2013

AUDITORS

(1) M/s. V.K.Dhingra & Co., Chartered Accountants and M/s Arun K. Aggarwal & Associate, Chartered Accountants have been appointed as Joint Statutory Auditors of your Company by the Comptroller and Auditor General of India for the year 2012-13 and the Board has already ratified their appointment.

(2) M/s R.M.Bansal & Co., Cost Accountants have been appointed as Cost Auditors of your company for carrying out audit under section 233B(1) for the records maintained under section 209(1)(d) of Companies Act,1956 and as notified under: (i) Cost Accounting Records (Telecommuncations) Rules,2002 & (ii) Cost Audit Rules,2001. The Cost Audit Report alongwith the annexures for the year 2011-12 have been submitted to the Central Government in the XBRL format on MCA portal on 26/03/2013.

ACKNOWLEDGEMENT

Your Directors take this opportunity to gratefully acknowledge the help, guidance and support received from Deptt. of Telecom (DoT) and various Ministries of the Government of India. Your Directors are especially grateful to its Bankers, all stakeholders and investors including, ADR holders, for their continued patronage and confidence reposed in the company.

The Directors would like to express their thanks for the sincere hard work and dedication of every employee leading to impressive results of your company. The Board is confident that with the employees' continued enthusiasm, initiative and dedicated efforts, your company could face the new challenges and opportunities arising out of the resultant competition from private operators in the Cellular Mobile, Basic Telephone and Internet services and other Value Added services. The Directors are hopeful that the hardwork and sincere efforts and dedicated sevices of the employees at all levels, MTNL shall be able to return to its original position of a profit making Company.

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

sd/-
(A.K. Garg)
CHAIRMAN AND MANAGING DIRECTOR

PLACE : NEW DELHI
DATE : 13th August, 2013

CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2012-13 is given below:-

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

The company's philosophy on Corporate Governance encompasses achieving the balance between shareholders interest and corporate goals through the efficient conduct of its business and meeting its stakeholder's obligation in a manner that is guided by transparency, accountability and integrity.

2. BOARD OF DIRECTORS

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

The Board functions either as a full Board or through various Board level committees constituted to oversee specific operational areas. The Board has constituted six committees, namely Audit Committee, Business Development Committee, Investor's/ Shareholder's Grivences Committee, HR Committee, Finance Committee and Remuneration Committee. These Board Committees mainly consist of Independent/Non-Executive Directors.

THE LIST OF PRESENT DIRECTORS (AS ON 13.08.2013) ALONG WITH THEIR CATEGORY AND THEIR DIRECTORSHIP IN OTHER COMPANIES/MEMBERSHIP IN OTHER COMMITTEES IS GIVEN AS UNDER:

NAME	CATEGORY/ DISIGNATION	DIRECTORSHIP IN OTHER COMPANIES	MEMBERSHIP IN OTHER COMMITTEE
Sh.A.K. Garg	Chairman and MD	MSITS - Chairman & Director UTL - Director MTML - Chairman & Director	
Shri. Pravin Kumar Purwar	Director (Fin)	MSITS-Director	Permanent Invitee - Audit Committee, Inv. Grievance Com. & Remuneration Com. of MTNL
Shri Sunil Kumar	Director (HR)	MTL-Chairman & Director MSITS-Director	
Sh. Sushil Kumar Shingal	Independent Director		Chairman- Audit Committee & Investors Grievances Com.
Sh. Kumar Sanjay Bariar	Government Nominee Director		Member- Audit Committee
Shri V. Umashankar	Government Nominee Director	BBNL- Director	Member- Audit Committee

2.1 ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS DURING FINANCIAL YEAR 2012-13 AND IN THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings as per the provisions of the Companies Act, 1956. 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 2012-13, a total of **8 meetings** were held (from 01/04/2012 to 31/03/2013) and the attendance of Directors in these meetings was as under:-

Name of the Director	No. of Board meetings attended	Percentage (%)	Attendance at the last AGM held on 28th September, 2012	Remarks
Shri. A.K. Garg	8/8	100%	Yes	-
Shri. Kuldip Singh	8/8	100%	Yes	Ceased to be Director (Tech.) w.e.f. 01.04.2013
Smt. Anita Soni	8/8	100%	Yes	Ceased to be Director (Fin) w.e.f. 31.05.2013
Shri Satya Prakash Pachauri	5/5	100%	No	Ceased to be Director (HR) w.e.f. 31.10.2012
Shri. Malay Shrivastava	4/6	66.67%	No	Ceased to be Director w.e.f. 14.02.2013
Smt. Nirmala Pillai	1/2	50%	No	Ceased to be Director w.e.f. 17.05.2012

Shri. Adit Jain	3/4	75%	N.A.	Ceased to be Drector w.e.f. 30.07.2012
Shri. V.S. Iyer	4/4	100%	N.A.	Ceased to be Director w.e.f. 30.07.2012
Shri. Vijay Aggarwal	4/8	50%	No	Ceased to be Director w.e.f. 30.03.2013
Shri T.S. Narayanasami	5/8	62.50%	No	Ceased to be Director w.e.f. 30.03.2013
Dr. Rajan Saxena	4/8	50%	No	Ceased to be Director w.e.f. 30.03.2013
Shri Sushil Kumar Shingal	6/7	85.71%	No	Assumed office on 11.05.2012
Shri Kumar Sanjay Bariar	5/6	83.33%	No	Assumed office on 17.05.2012
Shri V. Umashankar	0/1	0%	N.A.	Assumed office on 15.03.2013
Shri P.K. Purwar	%	--------	N.A.	Assumed office on 01.06.2013
Shri Sunil Kumar	%	--------	N.A.	Assumed office on 21.06.2013

2.2 DETAILS OF BOARD MEETINGS HELD DURING THE FINANCIAL YEAR 2012-13 (01/04/2012 to 31/03/2013)

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	280	10.04.2012	New Delhi	8/11
2	281	11.05.2012	New Delhi	9/12
3	282	30.06.2012	New Delhi	11/12
4	283	30.07.2012	New Delhi	11/12
5	284	14.08.2012	New Delhi	7/10
6	285	09.11.2012	New Delhi	8/9
7	286	14.02.2013	New Delhi	6/8
8	287	25.03.2013	New Delhi	5/9

2.3 DETAILS OF MEMBERSHIP/CHAIRMANSHIP OF BOARD COMMITTEES

None of the Directors of the Company hold memberships in more than ten Committees. No Director is Chairman of more than five Committees of Boards of all the Companies where he holds Directorship. For this purpose Committees comprise Audit Committee and Shareholders'/ Investors' Grievance Committee.

2.4 CODE OF CONDUCT FOR DIRECTORS AND SR. MANAGEMENT PERSONNEL

MTNL has adopted the Code of Conduct for Directors and Senior Management Personnel as per the requirement of clause 49 of the Listing Agreement dealing with Corporate Governance. The Code is a comprehensive Code applicable to all the Directors and Senior Management Personnel viz. Executive Directors, General Managers and all functional heads of the company. The Code lays down in detail the standard of business conduct, ethics governance and centers around the following theme: **"Integrity and transparency are the core value in all our business dealings. We shall act in compliance with applicable laws and regulations, in a manner that excludes considerations of personal advantage and will not compromise in our commitment to honesty and integrity in any aspect of our business. We are committed to excellence, in all our endeavours".**

2.5 CERTIFICATE REGARDING AFFIRMATION OF COMPLIANCE OF CODE OF CONDUCT

CMD/CEO has affirmed vide Certificate dated 17.06.2013 that the said code has been complied with by all the Board members and Senior Management Personnel and the same is reproduced hereunder:-

"Pursuant to clause 49 of the Listing Agreement, I confirm that all Board Members and Senior Management Personnel have affirmed compliance with the "MTNL's Code of Conduct" for Board Members and Senior Management Personnel for the year 2012-13".

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

PLACE: New Delhi
DATE: 17 JUNE, 2013

3. AUDIT COMMITTEE

The scope of the Audit Committee has been defined by the Board of Directors in accordance with the provisions of the Companies Act read with Clause 49 of the Listing Agreement, which among other includes:-

- Reviewing the Company's financial reporting processes and systems.
- 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.
- Reviewing with management the quarterly and annual financial statements, before submission to the Board, focusing primarily on:
  - changes in accounting policies and practices;
  - internal audit processes and systems.

Presently, the Audit Committee consists of the following Members:-

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

3.1 Meetings and Attendance of Audit Committee during the Financial Year 2012-13:

The Audit Committee held 8 meetings during the Financial Year 2012-13.

The attendance of the Director /Members of the Audit Committee from 01/04/2012 to 31/03/2013 is given as under:-

S. No.	Name of Directors	Attended	No. of meetings
1	Shri Sushil Kumar Shingal, Chairman	4	5
2.	Shri V. S. Iyer	3	3
3	Shri Adit Jain	2	3
4.	Smt Nirmala Pillai	0	1
5.	Shri Rajan Saxena	2	2
6.	Shri T.S. Narayanasami	6	8
7.	Shri Vijay Agarwal	0	3
8.	Smt. Anita Soni, Director (Finance) Permanent Invitee	8	8

Smt Nirmala Pillai ceases to be the member of the Audit Committee w.e.f. 17/05/2012,Shri V.S.Iyer & Shri Adit Jain ceases to be the member of the Audit Committee w.e.f. 30/07/2012, Shri S.K. Singhal & Shri Vijay Agarwal has been nominated to be the member of the Audit Committee w.e.f. 30/07/2012, Shri Vijay Agarwal ceases to be the member of the Audit Committee w.e.f. 06/02/2013, Shri Rajan Saxena has been nominated to be the member of the Audit Committee w.e.f. 06/02/2013 , Shri T.S. Narayanasami,Shri Vijay Aggarwal and Shri Rajan

Saxena ceases to be the member of Audit Committee w.e.f 30/03/2013. Shri V.Umashankar and Shri K.S. Bariar have been inducted in the Audit Committee w.e.f. 14/05/2013 and no valid meeting of the Audit Committee has been held w.e.f. 1.04.2013 till 26.06.2013. Shri P.K.Purwar, Director (Fin) joined on 01.06.2013 as permanent invitee to Audit Committee in place of Smt. Anita Soni.

4. REMUNERATION COMMITTEE:

A Remuneration Committee has been constituted on 3rd November, 2010 as per DPE Guidelines. Presently, the committee consists of the following :-

1) Shri P.K. Purwar, Dir (Fin.) - Permanent Invitee

2) Shri S.R.Sayal -Secretary

No meeting of the Remuneration Committee was held during the Financial Year 2012-2013.

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE

Pursuant to clause 49 of the Listing Agreement, a Shareholders/Investors' Grievances Committee exists in MTNL to look into the investors' complaints, if any, and to redress the same expeditiously. The Committee reviews all matters connected with the Shares/Securities' transfers. The Committee looks into redressing of shareholders complaints like non-receipt of Annual Report, non receipt of dividends, etc. The Committee also oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investors services. The Committee held two meetings during the Financial Year 2012-13 on 11/05/2012 and 30/03/2013 respectively.

The attendance of said Meetings is as under:-

S. No.	Name of Directors	No. of meetings	Attended
1.	Shri Sushil Kumar Shingal, Chairman	1	1
2.	Shri V.S Iyer	1	1
3.	Shri Rajan Saxena	1	1
4.	Shri Vijay Aggarwal	1	1

Presently, the Committee consists of the following:-

1. Shri Sushil Kumar Shingal	Director	Chairman
2. Shri P.K. Purwar,	Director (Finance)	Permanent Invitee
3. Shri S.R. Sayal,	Company Secretary	Secretary

Shri V.S.Iyer ceased to be the member of the Shareholders/Investors' Grievances Committee.w.e.f 30/07/2012. Shri Sushil Kumar Shingal has been nominated to be the member of the Shareholders/Investors' Grievances Committee.w.e.f 30/07/2012. Shri Rajan Saxena and Shri Vijay Aggarwal ceased to be the member of the Shareholders/Investors' Grievances Committee.w.e.f 30/03/2013 respectivly.

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

6. DETAILS OF SHAREHOLDERS/INVESTORS' COMPLAINTS DURING THE FINANCIAL YEAR 2012-2013 ARE GIVEN HERE UNDER:-

No. of Share holders' complaints Received during the Financial year 2012-13	No. of Shareholders complaints Solved during the Financial year 2012-13	No. of Shareholders complaints pending as on 31.03.2013
11	11	Nil

7. COMPANY SECRETARY & COMPLIANCE OFFICER

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

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

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

Nature of meeting	**Date and Time**	**Venue**
26th Annual General Meeting	28th September, 2012, 11.30A.M.	Auditorium, Mahanagar Doorsanchar Sadan, CGO Complex, Lodhi Road, New Delhi-110003
25th Annual General Meeting	29th September, 2011, 11.30A.M.	NDMC Indoor Stadium, Talkatora Garden, New Delhi - 110 001
24th Annual General Meeting	13th October, 2010, 11.30 A.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001

No special resolution was passed in the 24th and 25th AGMs respectively. However, Special Resolution was passed in the 26th AGM for delisting of MTNL's shares from Delhi, Calcutta & Madras Stock Exchanges respectively. No Special Resolution was passed through Postal Ballot during the Financial Year 2012-13. None of the businesses proposed to be transacted in the ensuing Annual General Meeting require passing a Special Resolution through Postal Ballot.

9. DISCLOSURE

(i). All the relevant information in respect of materially significant related party transactions, i.e. transactions of the Company of material nature with its Promoters, Directors or Management, or their relatives or subsidiaries of the Company, etc. having potential conflict with the interest of the Company at large has been given in the Annual Accounts.

(ii). The Company has complied with statutory compliances and no penalty or stricture has been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter relating to the capital markets during the last three years.

(iii). The Company has complied all the major mandatory requirements and also adopted some of the non-mandatory requirements of Clause 49 of the Listing Agreement as well as DPE Guidelines as applicable.

(iv). CEO/CFO Certification - Chairman/CMD and Director (Finance) of the company have given the CEO/CFO certification to the Board.

10. MEANS OF COMMUNICATION

a) The quarterly and half yearly results were published in English and Hindi Newspapers.

b) The Company's audited, un-audited & quarterly financial results and Press Releases are posted on the Company's website.

c) Annual Report containing, interalia, Audited Annual Accounts, Consolidated Financial Statements, Directors' Report, Auditors'Report and other important information is circulated to members and others entitled thereto. The Management Discussion and Analysis (MD&A)Report forms part of the Annual Report and is displayed on the Company's website (www.mtnl.net.in) along with the Annual Report of the company.

d) Printed copy of the Chairman's Speech is distributed to all the shareholders at the Annual General Meetings.

e) **NSE Electronic Application Processing System(NEAPS):** NEAPS is a web based application designed by NSE for corporates. All periodical compliance filings like

Shareholding pattern, Corporate Governance Report, media releases, etc are filed electronically on NEAPS.

f) **SEBI Complaints Redress System (SCORES):** The investor complaints are processed in a centralized web based complaints redress system.The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by the concerned companies and online viewing by investors of actions taken on the complaint and its current status.

11. GENERAL SHAREHOLDER INFORMATION:

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

ii. **Date and Time of AGM -** 30th September 2013, 11.15 A.M.

iii. **Venue** - Auditorium, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003

iv. **Financial year** - 1st April 2012 to 31st March 2013

v. **Financial Calendar** -

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2013	30th May , 2013
Submission of Audited Accounts to C&AG of India	June , 2013
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 30th June 2013	13th August, 2013
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 30th September 2013	2nd week of November, 2013
Board Meeting for Unaudited Reviewed Quarterly Financial Results for the quarter ended on 31st December, 2013	2nd week of Febuary, 2014
Board Meeting for Annual Financial Results and audited Quarterly Financial Results for the Quarter ended on 31st March 2014	Within 30th May, 2014

vi. **Dates of Book Closure** - 25th September 2013 to 30th September, 2013

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

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

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

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

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

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

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

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

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

x. Payment of Depository Fees : Annual Custody/Issuer fee for the year2013-14 has been paid by the company to CDSL &NSDL.

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

The Opening Price on BSE as on 01/04/2012 is ₹27.55 and NSE as on 01/04/2012 is ₹27.45

The Closing Price on BSE as on 31/03/2013 is ₹18.40 and NSE as on 31/03/2013 is ₹18.40

Month	**Bombay Stock Exchange (BSE)**		**National Stock Exchange (NSE)**	
	High Price ₹	**Low Price ₹**	**High Price ₹**	**Low Price ₹**
April 2012	28.90	24.10	28.85	24.10
May 2012	25.90	21.10	25.95	21.25
June 2012	23.80	21.70	26.00	18.75
July 2012	30.80	20.70	31.00	23.40
August 2012	45.25	30.25	45.40	30.30
September 2012	42.10	32.10	41.95	32.00
October 2012	32.90	26.00	32.90	26.00
November 2012	28.15	23.90	28.15	23.95

Month	Bombay Stock Exchange (BSE)		National Stock Exchange (NSE)	
	High Price ₹	Low Price ₹	High Price ₹	Low Price ₹
December 2012	29.60	25.25	29.60	24.40
January 2013	28.70	24.15	28.80	24.10
February 2013	24.95	20.15	24.95	20.70
March 2013	22.05	17.70	22.50	17.80

(xii) Registrar 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 No.: 011- 29961284, E-mail : beetalrta@gmail.com

(xiii) Share Transfer System - As per the directives of Securities & Exchange Board of India, the Equity Shares of your Company have been mandated for trading in dematerialized form by all categories of investors since 1997. Share transfers in physical form are registered, if documents are complete in all respects, and thereafter the certificate are required to be issued within 15 days from the date of receipt of request to transfer the share. The Board has delegated the authority for approving transfer, transmission, etc. of the Company's securities to the Share Transfer Committee comprising of GM (BB) /DGM (Banking) and Company Secretary. A summary of transfer/ transmission of securities of the Company so approved by the Share Transfer Committee is placed before the Shareholders'/Investors' Grievance Committee. The Company obtains the certificate of compliance of the formalities, regarding the Share Transfer from a Company Secretary in Practice as required under Clause 47(c) of the Listing Agreement and files a copy of the said certificate with the Stock Exchanges.

(xiv) Information on Shareholding

(a) Shareholding Pattern of MTNL as on 31st March, 2013.

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as % of Total number of Shares
1.	President of India	354378740	56.25
2.	Mutual Funds	10725	0.01
3.	Financial Institutions/Banks	132780155	21.08

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as a % of Total number of Shares
4.	Foreign Institutional Investors	12042174	1.91
5.	Bodies Corporates	25517129	4.05
6.	Individuals	72722360	11.54
7.	Trusts, Clearing Member & HUF	4670300	0.74
8.	NRI	1753589	0.28
9.	Foreign Corporate Bodies	147962	0.02
10.	Shares held by Custodians and against which Depository Receipts have been issued	25973366	4.12
11.	Any other (stressed asset stabilization fund)	3500	0.00
	GRAND TOTAL	**630000000**	**100**

(b) Distribution of Shareholding as on 31st March, 2013.

Share Holding of Nominal Value of ₹	No. of Share holders	% to Total holders	No. of Shares	Amount in ₹ (Face Value)	% to Total Capital
UPTO 5000	1,31,212	85.79	1,78,08,698	17,80,86,980.00	2.8268
5001 TO 10000	10,738	7.02	88,78,456	8,87,84,560.00	1.4093
10001 TO 20000	5,282	3.45	81,93,853	8,19,38,530.00	1.3006
20001 TO 30000	1,786	1.17	46,26,888	4,62,68,880.00	0.7344
30001 TO 40000	937	0.61	33,76,901	3,37,69,010.00	0.5360
40001 TO 50000	742	0.49	35,37,380	3,53,73,800.00	0.5615
50001 TO 100000	1,165	0.76	86,57,509	8,65,75,090.00	1.3742
100001 and above	1,075	0.70	57,49,20,315	5,74,92,03,150.00	91.2572
TOTAL	**1,52,937**	**100.00**	**630000000**	**6300000000.00**	**100.000**

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

(xv) Dematerialization of shares and liquidity

As on 31st March 2013, 99.99% shares of the Company's equity share capital available in the market is in dematerialized form. The Company has entered into agreements with both the depositories' viz. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL), whereby shareholders have an option to dematerialize their shares with any of them.

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

During the year under review, the Company has credited ₹18,94,559, lying in the unpaid/ unclaimed dividend account, to the Investor Education and Protection Fund (IEPF) pursuant to Section 205C of the 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 28, 2012 (date of last Annual General Meeting) on the Ministry of Corporate Affairs website.

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

DETAILS OF MTNL- UNCLAIMED SUSPENSE ACCOUNT

Opening Balance (as on 01.11.2012)		**Requests received and Disposed off during 2012-2013**		**Closing Balance (as on 31.03.2013)**	
Cases	Shares	Cases	Shares	Cases	Shares
0	0	0	0	0	0

(xviii) Plant Locations -

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

(xix) MTNL has been admitted to dealing on The Bombay Stock Exchange w.e.f 11/04/2013 in the list of Securities of F Group Debt Instruments have ISIN no. INE 153A08014. The RTA of Bonds is M/S Karvy Computershare Pvt. Ltd. and Debenture Trustee is SBI CAP TRUSTEE CO.LTD, 8, Khetan Bhavan, 5th Floor, 198,J, Tata Road , Churchgate, Mumbai-400020

Investors' correspondence may be addressed to:
Shri S.R.Sayal,Compliance Officer and Company Secretary
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003
Tel: 91-11-24317225 Fax: 91-11-24315655
Website: www.mtnl.net.in / www.bol.net.in / E-mail Id: csco@bol.net.in

BRIEF RESUME OF DIRECTORS PROPOSED TO BE REAPPOINTED AT THE ANNUAL GENERAL MEETING AND APPOINTED AFTER THE DATE OF LAST AGM i.e. 28th SEPTEMBER 2012 (PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT WITH THE STOCK EXCHANGES)

(1) Shri V. Umashankar

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

(2) Shri Pravin Kumar Purwar

Shri Pravin Kumar Purwar joined MTNL as, Director (Fin) on June 01, 2013. He possesses Masters Degree in Commerce from Allahabad University and professional degree of Chartered Accountancy from the Institute of Chartered Accountants of India. He belongs to 1990 Batch of Indian P&T Accounts and Finance Service. He has worked in various positions both at field level and Corporate Office in DOT & BSNL and Since 2005, in the capacity of General Manager in BSNL. Prior to his present assignment, Shri Pravin Kumar Purwar had also worked for more than three years, in Competition Commission of India, on deputation as Advisor and Incharge of mergers & acquisitions.

(3) Shri Sunil Kumar

Mr. Sunil Kumar, ITS is on the MTNL Board as Director (HR) since 21st June 2013. He is Head for Human resource Management, Legal Cell, Development of Enterprise Business and Marketing of MTNL Services. An Engineering graduate, he holds Master's Degree in Administration (MBA) and Master's Degree in Computer Application (MCA). He has also done Post Graduate Certificate Course in Sales and Marketing from XLRI, Jamshedpur and a certificate course in "Strategy Management" from IIT Delhi. He is a 1984-Batch Officer of Indian Telecom Service (ITS), and has vast working experience in the field of Telecommunication. He has extensively worked at various place in India such as Hajipur (Bihar), Kolkata, Junagadh (Gujarat), Patna (Bihar), Hazaribagh (Jharkhand), Shillong (Meghalaya), Arunachal Pradesh, Pune (Maharashtra), Satara (Maharashtra), BSNL CO New Delhi. As DDG Marketing in BSNL, he has handled Sales and Marketing function for the BSNL. For his outstanding work in Marketing, he has been awarded "Sanchar Sewa Padak" at Pune. As DDG (Enterprise Business), he was the first to create "Enterprise

Business Unit" in BSNL and was pioneer in establishing Managed Services. He has been trained at Monaco, France, Philippines, London, Japan, West Germany, USA, and Sri Lanka. Before his present assignment, he was Executive Director (Business Development and Managed Services) in Telecommunications Consultants India Limited (TCIL).In this "Knowledge Management" era, he strongly believes that any big results can only be achieved through motivated and dedicated human resources of the company. Building trust and transparency in working are his tools to achieve the same. Developing human resources to meet the challenges of next 5 / 10 years is the focus area. The vision is to make the company most desirable place to work in.

4. Shri Sushil Kumar Shingal

Shri Sushil Kumar Shingal is having Master of Arts (History) degree from Meerut University.He had joined Customs and Central Excise Servicein 1970.He has retired from the service on 31st March,2008 as Chairman,Central Board of Excise and Customs, New Delhi.

MTNL

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 AS STIPULATED UNDER CLAUSE 49 OF THE LISTING AGREEMENT OF THE STOCK EXCHANGES OF INDIA

To

The Shareholders

1.We have examined the compliance of the conditions of corporate governance by Mahanagar Telephone Nigam Limited (hereinafter referred as the 'company') for the year ended on 31st March 2013 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India

2. The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of corporate governance as stipulated in the listing agreement except that

(i) The Chairman of the Audit Committee was not present at the Annual General Meeting
(ii) The minutes of the Board meetings of unlisted subsidiary were not placed at the Board meeting of the listed holding company

4. We further state that the compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management conducted the affairs of the company.

for V.K.SHARMA & CO.
Company Secretaries
sd/-
(**V.K. Sharma**)
FCS: 3440

Place: New Delhi

Date: 8th August, 2013

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT FOR THE FINANCIAL YEAR 2012-13

INTRODUCTION :

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

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

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

1. MARKET RISKS

1.1 The Indian government is rapidly liberalizing the telecommunications industry in India. Many private operators are currently competing with us in the market for both basic and cellular services. All these operators already have significant telecommunications infrastructure in Delhi and Mumbai. We are vulnerable to losing market share if private operators aggressively target our high paying subscribers. Some of such customers like hotels etc. have already migrated to other basic service operators.

1.2 We are facing growing competition in the market for Cellular and Broadband services. Private operators enjoy significant presence in these markets with Pan India presence, have longer experience operating a cellular network than we do as MTNL was able to enter the GSM market five years after the private operators.

1.3 Increasing competition is keeping downward pressure on tariffs and we may have to increase our capital investment to improve and expand our services.These developments may have a negative impact on our financials in short term. MTNL is confined only to the cities of Delhi and Mumbai which are having more than 100% tele-density and are among the most competitive markets and MTNL is not able to expand its telecom services beyond its area of jurisdiction. Further, Delhi and Mumbai are

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

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

1.5 MTNL is also expanding its services overseas and providing services in Nepal and Mauritius.

2. POLICY AND REGULATORY RISKS

2.1 The telecommunication sector in India is one of the most competitive sectors. The high level of license fee is a big strain on the finances of the company. This is paid over and above all other taxes and duties which are levied on all other businesses. Further, the Government has granted spectrum for 3G services and BWA Services at very high rates as one time fees. In comparison to these fees, the potential revenue is likely to be low because of low tariffs due to cut throat competition. Regulatory policies cannot be foretold and may at times, be such as to affect the financials of the company.

2.2 Earlier, only a limited number of operators could provide telecom services in a particular circle. Now, this restriction has been removed and unlimited operators have been allowed in the market. This has lead to more competition in the market leading to still lower tariffs.

2.3 MTNL is confined to Delhi and Mumbai and is not able to operate in Tier-II and Tire-III cities where maximum growth is taking place. This restriction on service area also impacts MTNL in another way. While it's competitors having Pan India presence can offer discount on calls to their network elsewhere in the country, MTNL cannot offer similar discounts being restricted to Delhi and Mumbai service areas.

2.4 MTNL strongly represents its point of view to the policy makers and Regulator with respect to areas which impact MTNL's interest. Mobile Number Portability (MNP) has also been introduced in Indian Telecom Sector making this sector even more competitive. Now, the customers have choice to migrate to other operators without changing his/ her mobile number.

2.5 MTNL's licenses to provide Basic Service and as an ISP are to come up for renewal in 2013-14. CDMA service for which MTNL was allotted 2.5 MHz spectrum in 800 MHz band is also provided under Basic Service license. The GSM license will be expiring in 2017-18. The costs associated with renewal and reframing of spectrum from 900 MHz band to 1800 MHz band will further add to the liabilities.

2.6 MTNL will be required to pay one time spectrum charges for the 2G spectrum held beyond 4.4 MHz w.e.f 01.07.2008 to till expiry of licence i.e. 31.12.2017. MTNL was holding 8.0 MHz regular 2G spectrum till 31.12.2012 and has requested Govt. for retention of 8.4 MHz 2G Spectrum w.e.f 01.01.2013.

3. TECHNOLOGY RISK/QUALITY OF SERVICE

3.1 Telecom is certainly the most happening sector today. In the telecom sector which is driven by very stiff competition, fast changing technologies and falling prices of the telecom equipments, it is becoming increasingly difficult to predict / forecast the future. The investment today in a particular technology becomes outdated tomorrow with an introduction of more promising technology / services / Quality of services. To survive in the market, every operator has to move with the market forces and to adopt advance technologies/services.

3.2 As far as MTNL is concerned, we have always been pioneer in introducing latest technologies in the telecom field. As a company, MTNL has rapidly modernized its network by incorporating state-of-the-art technologies and adopting customer friendly approach. With the developments in the Telecom Sector MTNL has transformed itself from telecom voice service provider to a total telecom solution provider. While deploying any new technology, it is always ensured that the technology is well proven in telecom field. Whenever a new technological development has taken place, MTNL have always evaluated the situation / market condition and reacted accordingly. Some of the examples are as follows:

a) When CDMA IS was becoming obsolete, with introduction of CDMA 2000 1X system, MTNL rolled out 2000 1X network with advanced features. At the same time the old IS95 network continued serving the fixed wireless subscribers.

b) SDH technology is becoming obsolete day by day. At present our access & aggregation network is primarily on SDH technology. MTNL is now planning to migrate to new technology i.e. Carrier Ethernet based solution in the access network and IP-MPLS at aggregation level. In order to protect our investment on SDH equipments, the migration will be on phased manner.

c) Initially MTNL rolled out 2G voice services in Delhi & Mumbai. With advancement, MTNL upgraded its network to support GPRS/ EDGE (2.5/ 2.75G). Further, MTNL has deployed 3G network in Delhi and Mumbai to keep with market requirements.

3.3 MTNL's TDM Fixed line switches are becoming obsolete as their induction 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 with sate of art NGN / IMS switches. Further the new technology will also help launching a number of value added services on fixed lines at par with wireless technologies which are very vital for its survival.

3.4 MTNL was allotted 3G spectrum after paying ₹ 6564 Cr. MTNL is making its continuous and best efforts for upgrading and expanding its 3G network. However, MTNL has very low active 3G subscriber base in both Delhi and Mumbai circles and thus has huge spare capacity of 3G network. Even in the best case scenario in future, spare capacity would be available on 3G network. Expected revenue that MTNL can generate on its 3G network would not justify the cost of spectrum, hence MTNL needs to explore other ways to monetize its 3G network like sharing a part of the spectrum with other telecom players. MTNL may explore the possibility of sharing the spectrum once it is allowed by the new telecom policy

4. OVERSTAFFING RISKS AND STAFF COST

4.1 MTNL has huge legacy staff strength inherited from DoT. Presently MTNL has around 39,264 working employees as compared to 62000 in the year 1997-98. There has been some reduction in staff because of three VRS and natural attrition. However, MTNL is still suffering from extreme overstaffing and the staff cost absorbs a very high percentage of the revenue. Overstaffing is a major risk which the Company faces as its has little flexibility to address the problem.

4.2 Efforts has been made to reduce the staff by offering VRS. Natural attirition because of retirements is also leading to reduction in staff. Overstaffing can be avoided only through mix of VRS, diversification and sending the staff to other organizations on deputation. A proposal seeking 100% financial aid has been submitted to DOT for bringing out VRS in MTNL.

4.3 Pension payment to retired absorbed staff who opted for pension for their combined service in the Govt. and later, in MTNL after absorption, is being made by MTNL as an interim measure till the final settlement of the Pension issue. This is casting a heavy burden on MTNL for actual payout as well as provisions for retirement benefits. The matter is under consideration of the Govt. for finalization of the modalities.

5. MANPOWER RISKS

5.1 There are about 39,264. employees of the Company and major portion of revenue is spent on staff. In comparison of the staff costs of other operators, it is substantially high. These relate to payment of Pension, gratuity, leave encashment to DoT employees absorbed in MTNL. This is a major risk which the company faces, as it has little flexibility in the matter and may have to continue to carry the cost. The certain issues are pending for want of settlement with Department of Telecommunications (DoT). For the absorbed employees whose pension is being paid by MTNL, DoT has to contribute its share for the period of service rendered by the employees as Govt. staff under DoT.

5.2 While the Pension Trust to be set up by DoT is still pending, the matter is receiving the attention of the concerned authorities and the outcome shall have an impact on MTNL's finances.

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

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

6. Repayment of loan/ Interest Burden

6.1 MTNL has paid an amount of ₹ 11,097 Crore to acquire 3G and BWA spectrum. Short Term Loans amounting to about ₹ 7533.97 Crs were taken from various banks while the remaining amount was paid by MTNL from its own resources. Loan of ₹ 533.97 has been paid already. The Short term Loans of ₹ 7000 Crs have been converted into long term debt and the interest burden of this debt is high. Efforts are being made to substitute it with lower cost funds since it is becoming difficult to get adequate return from the spectrum purchased. Further the repayment of principal of long term loan starts from the current financial year.

6.2 MTNL has raised short term loan from various banks and ₹ 1300 crs is required to be paid back during the current financial year as per terms and conditions of the loan.

6.3 MTNL has sought sovereign guarantee from the Govt. to float long Term Tax Free Bonds with bullet repayment of principal and interest to start after the initial moratorium period. MTNL has raised ₹ 1005 crs through 10 years Sovereign Guarantee bonds in FY 2012-13 with semi- annual interest payment. MTNL proposes to raise more money through sovereign guarantee bonds during FY 2013-14 subject to approval of the Government. This will enable the servicing of debts to be re-aligned with future revenue earnings.

Annual Accounts

2012-13

MTNL

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INDEPENDENT AUDITORS' REPORT

To,

The Members of

Mahanagar Telephone Nigam Limited.

Report on the Financial Statements

We have audited the accompanying financial statements of Mahanagar Telephone Nigam Limited ("the company"), which comprise the Balance sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management`s Responsibility for the Financial Statements

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

Auditor`s Responsibility

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

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

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

Basis for Qualified Opinion

(i) The company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 19752.26 million is subject to reconciliation and confirmation. In view of non reconciliation/ confirmation and also in view of various pending disputes regarding each other's claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the company. (Also refer point no.11 of note no.34 to the financial statements).

(ii) The company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 34427.11 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the company. (Also refer point no.15 of note no.34 to the financial statements).

(iii) Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of ₹ 1403.63 million instead of actual liability resulting in under statement of current liabilities and losses to that extent. (Also refer point no.16 of note no.34 to the financial statements).

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

(v) No adjustment has been considered on account of impairment loss during the year, with reference to AS-28 "Impairment of Assets" issued under Companies (Accounting Standards) Rules, 2006. In view of continuous losses over the years resulting into full erosion of net worth of the company and 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 loss and also the carrying value of the cash generating units. (Also refer point no. 38 of note no.34 to the financial statements).

(vi) Provision for actuarial liability on account of medical expenses for retired employees and continuing employees has not been worked out and provided for as required under AS-15 "Employee Benefits" issued under Companies (Accounting Standards) Rules, 2006. Instead annual insurance premium for the policy taken by the company for this purpose is charged to statement of profit and loss. In the absence of actuarial valuation as on 31.03.2013, we are not in a position to ascertain and quantify the impact thereof on the financial statement. (Also refer point no. 34 of note no.34 to the financial statements).

(vii) Insurance claim for the fire loss in Data Center in July, 2009 amounting to ₹ 40 Million has been considered good. However, insurance company has disputed the claim and has informed the company to consider only the part of the claim which is not accepted by the Company.

As the dispute is still pending, we are not in a position to comment on the appropriateness of the claim recoverable being considered as good and the ultimate recovery of the same in full. Pending final outcome of the dispute, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 30(b) of note no.34 to the financial statements).

(viii) To work out the liability towards wealth tax, vacant land and guest houses/inspection quarters are taken at their book values instead of valuation the same as per Wealth Tax Act / Rules resulting into understatement of losses resulting from lower wealth tax and also corresponding understatements of liabilities. In the absence of valuation as at the

year end, we are not in a position to ascertain and quantify the impact thereof on financial statements. (Also refer point no. 27 of note no.34 to the financial statements).

(ix) Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the financial statements is not ascertainable and quantifiable. (Also refer point no. 24 of note no.34 to the financial statements).

(x) Dues from the operators are not taken into account for making provision for doubtful debts. Also no provision for doubtful debts is made for disputed cases outstanding for less than 3 years in Basic and for less than 6 months in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 1(ii)(b) of note no.1 to the financial statements).

(xi) (a) In Delhi Unit, reconciliation of balances of customer's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on financial statements cannot be ascertained and quantified at present. (Also refer point no. 15(b) of note no.34 to the financial statements).

(b) Unlinked credit of ₹ 420.30 million on account of receipts from subscribers against billing by the company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, both assets and liabilities are overstated. (Also refer point no. 15(f) of note no.34 to the financial statements).

(c) The aggregate balance of sundry debtors as per the ageing summary in subsidiary records is lower by ₹ 73.83 million as compared to the balance in general ledger and is under reconciliation. The same has been provided for. Pending reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified. (Also refer point no. 15(g) of note no.34 to the financial statements).

(xii) In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending. Pending such reconciliation, the impact of the same on the financial statements can not be ascertained and quantified. (Also refer point no.42 of note no.34 to the financial statements).

(xiii) Fixed assets are generally capitalized on the basis of completion certificates issued by the engineering department. Due to delays in issuance of the completion certificates, there are cases where capitalization of the fixed assets gets deferred to next year. The resultant

impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalized in the balance sheet cannot be ascertained.

(xiv) Out of ₹ 2850 million on account of wet lease of infrastructure and other services provided in respect of Commonwealth Games and accounted for in 2010-11, a sum of ₹ 430 million remains unrecovered and unconfirmed. Also the said amount of ₹ 430 million is yet to be approved by the concerned authorities. Pending confirmation, approval or any other document from the concerned authorities to substantiate the claim of the company, the recoverability of the amount outstanding is not certain. The company continues to treat the said amount as good for recovery and no provision for doubtful debts has been made for the same. To that extent, loss is understated and current assets are overstated. (Also refer point no. 44 of note no.34 to the financial statements).

(xv) Pending reconciliation of income from recharge coupons/ITC cards/prepaid calling cards and stock of such coupons/cards, the impact thereof on the financial statements cannot be ascertained and quantified.

(xvi) On material exchanged with BSNL on barter basis, VAT liability has not been ascertained and provided for. In the absence of detailed information, we are not in a position to comment on the likely impact of the same on the financial statements of the company.

(xvii) The company had invested ₹1000 million in 8.75% Cumulative Preference Shares of M/S. ITI Limited during the year 2001-02. As per the terms of allotment, the said preference shares were to be redeemed in five equal installments. As per letter no. U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the said preference shares was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. has failed to meet its rescheduled obligation in respect of first installment of ₹ 200 million payable in 2012-13. Since M/s. ITI Ltd. has not complied with even rescheduled commitments, the company has made a provision for the first installment of ₹. 200 million only instead of providing for full investment of ₹1000 million. This has resulted into understatement of losses by ₹800 million and overstatement of non current investments by ₹ 600 million and also overstatement of current investments by ₹ 200 million. (Also refer point no. 14 of note no.34 to the financial statements).

(xviii) Certain works were carried out in earlier years by Mumbai Unit for Defence Network of Govt. of India in respect of alternate communication system. In context of the same following explanations has been given to us:-

"In respect of usage of the same ₹ 338.3 million has been received at Corporate Office. Out of this ₹ 59.82 million has been decapitalised in 2011-12 accounts and ATD sent to Corporate Office. The AT for the balance amount of ₹ 278.48 million has been received from Corporate Office in 2012-13. Out of this amount ₹ 18.98 million has been decapitalised in 2012-13, ₹ 32.33 million has been reduced from prior period expenses. Balance amount of ₹ 227.17 million is relating to revenue for usage of the ducts. The work was completed in March-2011, the revenue is to be spread over a period of 18 years which is the life considered for depreciation of Cables. During the year ₹ 25.24 million has been booked as income and balance of ₹ 201.93 million is taken as unearned revenue to be recognised as income in the next 16 years."

In the absence of any agreement / documentary evidence / third party confirmation in respect of aforesaid accounting treatment / adjustments, we are not in a position to comment on the correctness or otherwise of such accounting treatment. (Also refer point no. 21 of note no.34 to the financial statements).

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

(xx) During the year Department of Telecommunication (DOT) has raised a demand of ₹ 33131.50 million 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 will need revision by ₹1074.40 million on account of rectification of actual usage.

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

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

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

In the absence of information, the effect of which can not be quantified, we are unable to comment on the possible impact of the items stated in the point nos.(i), (ii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi)(a)&(c), (xii), (xiii),(xv), (xvi), (xviii), (xix), (xx) and (xxi) on the financial statements of the company for the year ended on 31st March 2013.

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),(xi)(b),(xiv) and (xvii) been considered in the financial statements, loss for the year would have been ₹ 55844.86 million as against the reported figure of ₹ 53211.23 million in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 3389.68 million as against the reported figure of ₹ 3809.98 million, Short Term Loans and Advances under the head Current Assets would have been ₹ 7167.60 million as against the reported figure of ₹ 7597.60 million, Non Current Investments and Current Investments would have been ₹ 1419.79 million and ₹ nil million as against the reported figures of ₹ 2019.79 million and ₹ 200 million respectively, Other Current Liabilities would have been ₹ 29876.50 million as against the reported figure of ₹ 28893.17 million in the Balance Sheet.

Qualified Opinion

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

a) in the case of Balance Sheet, of the state of affairs of the Company as at march 31, 2013;

b) in the case of Statement of Profit and Loss, of the loss for the year ended that date; and

c) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matters

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

(i) Point no.28 of note no.34 to the financial statements regarding preparation of financial statements on Going Concern basis in spite of the negative net worth of the company as on 31st March, 2013.

(ii) Point no.20(e) of note no.34 to the financial statements regarding the issue of pension liability on account of absorbed employees yet to be settled with the DOT.

(iii) Point no.22 of note no.34 to the financial statements regarding retaining of outstanding liability of ₹ 736.20 million on account of decommissioned assets pending arbitration case.

(iv) Point no.23 of note no.34 to the financial statements regarding non provision of diminution in the value of investments in joint ventures/subsidiary as these diminution are considered temporary in nature.

(v) Point no.5(a) of note no.34 to the financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the company with reference to pending dispute with the Income Tax Department at High Court level with reference to deduction claimed by the company u/s 80 IA of the Income Tax Act,1961.

(vi) Point no. 5(b) of note no. 34 to the financial statements regarding pending appeal effect by income tax authorities of ₹ 1015.43 million pertaining to financial year 1999-00.

(vii) Point no.5(c) of note no.34 to the financial statements regarding non reconciliation of advance tax, provisions for tax and interest on income tax refunds with the tax records of the company.

(viii) Point no. 8(b) of note no.34 to the financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(ix) Point no. 40 of note no.34 to the financial statements regarding non deduction of tax at source for IUC services rendered by BSNL based on the expert opinion taken by the company.

(x) Classification of trade receivables as unsecured without considering the security deposit which the company has received from the subscribers. (Also refer note no.19 to the financial statements).

(xi) Amount receivable from BSNL has been reflected as loans and advances instead of bifurcating the same into trade receivables and other receivables. (Also refer note no.16 to the financial statements).

(xii) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Schedule VI of the Companies Act, 1956 has not been made by the company in the financial statements.

(xiii) Point no. 15(d) of note no.34 to the financial statements regarding impact if any, arising out of reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS) in Mumbai Unit.

(xiv) Point no. 15(e) of note no.34 to the financial statements regarding impact if any, arising out of reconciliation of Balance outstanding under refund due to subscribers account with actual amount due for refund in Mumbai Unit.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor`s Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of the Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

2. As required by Section 227(3) of the Act, we report that :

   a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except for the matters described in point nos. (i), (ii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi)(a)&(c), (xii), (xiii), (xv), (xvi), (xviii), (xix), (xx) and (xxi) of paragraph on Basis of Qualified Opinion given above;

   b. In our opinion proper books of accounts as required by the law have been kept by the company so far as appears from our examination of those books;

   c. The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with books of account;

   d. In our opinion and based on our comments in point nos. (iii), (iv), (v), (vi), (xi), (xiii), (xix) & (xxi) of the paragraph on Basis for Qualified opinion given above, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, except AS-2 regarding Valuation of Inventories, AS-6 regarding

Depreciation Accounting, AS-9 regarding Revenue Recognition , AS-10 regarding Accounting of Fixed Assets , AS-15 regarding Employee Benefits, AS-17 regarding Segment Reporting, AS-28 regarding Impairment of Assets, AS-29 on Provisions, Contingent Liabilities and Contingent Assets;

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

For Arun K. Aggarwal & Associates
Chartered Accountants
FRN – 003917N

sd/-

(Arun Agarwal)
(Partner)
(Mem. No. 082899)

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

sd/-

(Vipul Girotra)
(Partner)
(Mem. No. 084312)

Place: New Delhi
Date: MAY 30, 2013

ARUN K AGARWAL & ASSOCIATES
Chartered Accountants
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South Ex Part - II., New Delhi
PH:011-26251200, 26257400
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ANNEXURE TO INDEPENDENT AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING OF " REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF OUR REPORT OF EVEN DATE)

1. (a) Delhi unit has maintained records of fixed assets. However in MS unit- Delhi, identification number is not mentioned. It is noticed that records of the Estates Department in respect of Land and Building do not match with the records as per financial books. In case of Mumbai Unit (both basic and WS unit), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai unit are not up dated and reconciled with the financial records. Also identification number is not mentioned in respect of most of the items. The corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.

   (b) As per the Accounting Policy of the company, Fixed Assets are required to be physically verified by the Management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, the Apparatus & Plants, vehicles and land and buildings were physically verified in accordance with programme of verification by the management during the year. No material discrepancies were noticed on such verification.

   (c) The company has not disposed off any substantial part of its fixed assets during the year and as such there is no effect on the going concern.

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

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

(c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. As per the information provided to us, discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of accounts.

3. As explained to us, the Company has neither taken nor granted any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clause 4(iii) of the Companies (Auditor's Report) Order, 2003 is not applicable to the Company.

4. In our opinion and according to the information and explanations given to us there are internal control procedures which are generally adequate and commensurate with the size and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. However, the same needs to be further strengthened . During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control systems,

5. Based on the audit procedures applied by us and the information and explanations provided by the management, there was no transaction during the year ended 31.03.2013 that need to be entered in the register maintained under Section 301 of the Companies Act 1956.

6. As informed to us, the Company has not accepted any deposits from the public during the year within the meaning of section 58 A and 58 AA of the Companies Act, 1956 and the rules framed there under.

7. In our opinion, the Internal Audit System of the company is not commensurate with the size of the Company and the nature of its business. Moreover, extent of coverage of the areas of operations, frequency / quality of reporting/ timeliness of the reporting and the follow up of internal audit observations need to be strengthened.

8. The Central Government has prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of Companies Act, 1956 .The company has not maintained the required Cost Records for the year 2012-2013..

9. (a) According to the information and explanations given to us and the records of the company examined by us , in our opinion, the company is generally regular in depositing undisputed Statutory Dues including Contributory Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, service tax, Custom Duty, Excise Duty, Cess and any Other material Statutory Dues as applicable with the appropriate authorities. As informed to us, the provisions of Employees State Insurance Act are not applicable to the company. According to the information and explanation given to us no undisputed amounts payable in respect of aforesaid dues were outstanding as at 31.03.2013, for a period of more than six months from the date they become payable.

(b) According to the information and explanation given to us, there are no dues in respect of Custom Duty, Excise Duty and Cess that have not been deposited with the appropriate authorities on account of any dispute. However, the Company has not deposited Sales Tax /VAT Dues, Service Tax and Income Tax Dues on account of disputes as under:

Local Sales Tax and Central Sales Tax / VAT:

(i) Sales Tax

Name of the Statute	Amount (₹) L.S.T	Amount (₹) C.S.T	Period	Authority where pending
Delhi Sales Tax Act	268131	92302769	1988-89	Addl. Comm. Sales Tax
Delhi Sales Tax Act	162120	20517000	1989-90	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1006001	15337192	1990-91	Addl. Comm. Sales Tax
Delhi Sales Tax Act	11660806	63932673	1991-92	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1437418	144392134	1992-93	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1699669	176491	1993-94	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1032760	201103762	1994-95	Addl. Comm. Sales Tax
Delhi Sales Tax Act	827253	88446906	1995-96	Addl. Comm. Sales Tax
Delhi Sales Tax Act	71319	0	1996-97	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0	102613	1998-99	High court
Delhi Sales Tax Act	1461	545178	1999-00	High court
Delhi Sales Tax Act	88527	5000	2000-01	High court

Name of the Statute	Amount (₹) L.S.T	Amount (₹) C.S.T	Period	Authority where pending
Delhi Sales Tax Act	2036407	15200	2001-02	Addl. Comm. Sales Tax
Delhi Sales Tax Act	371932	0	2002-03	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1255424	0	2003-04	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0	180544146	1987-88 to 1993-94	Addl. Comm. Sales Tax
Delhi Sales Tax Act	72041344	4234	2004-05	Addl. Comm. Sales Tax
Delhi Sales Tax Act	4459877	0	2005-06	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1914095	0	2006-07	Addl. Comm. Sales Tax
Delhi Sales Tax Act	265248583	0	2007-08	Addl. Comm. Sales Tax
Delhi Sales Tax Act	779575204	0	2008-09 & 2009-10	Addl. Comm. Sales Tax
TOTAL	**1145158331**	**807425298**		

The unit has already deposited ₹ 157233054/- out of the total disputed liability stated above.

Mumbai Unit

Name of the Statute	Nature of Dues	Amount under dispute (Rs.)	Year to which amount relates	Forum where the dispute is pending
BST ACT	Assessed Amount	3552968	1993-94	MSTT
BST ACT	Assessed Amount	53193370	1996-97	DC
BST ACT	Assessed Amount	59424662	1998-99	MSTT
BST ACT	Assessed Amount	35201675	1999-2000	MSTT
BST ACT	Assessed Amount	54829094	2000-01	MSTT
BST ACT	Assessed Amount	101628984	2001-02	Jt. Commr. of Sales Tax Appeals
BST ACT	Assessed Amount	2161090302	2003-04	Jt. Commr. of Sales Tax Appeals

Name of the Statute	Nature of Dues	Amount under dispute deposited	Year to which amount relates	Forum where the dispute is pending
BST ACT	Assessed Amount	1015717015	2004-05	Jt. Commr. of Sales Tax Appeals
Finance Act 1994	Service Tax	5600000	2003-04	CESTAT
Total		**3490238070**		

The unit has already deposited ₹ 9680000/- with BST Act and ₹ 500000 with CESTAT out of the total disputed liability stated above

Statutory dues which have not been deposited in respect of Mumbai MS unit as on 31st March, 2013.

SL. No.	Nature of Dues	Amount under dispute (₹)	Year to which amount relates	Forum where the dispute is pending
1	Installation of BTS Site	2909233	2004-05	CESTAT
2	Installation of BTS Site	2617816	2005-06	CESTAT
3	Installation of B]TS Site	3210353	2006-07	CESTAT
	Total	8737402		

10. The accumulated losses of the company exceed fifty percent of its net worth at the end of the financial year. It has incurred cash losses in the financial year and in the immediately preceding financial year.

11. As per the records of the company and according to the explanation provided by the management, we report that there is no default in repayment of dues from the loan taken from banks during the year under audit.

12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the Order is not applicable.

13. The Company is not a Chit Fund or a Nidhi Mutual Benefit Fund / Society. Accordingly, clause 4(xiii) of the Order is not applicable.
14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable.
15. According to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. In our opinion, the term loans have been applied for the purpose for which they were raised.
17. On the basis of overall examination of the Balance Sheet and Cash Flow Statement of the company, we report that the funds raised by the company on short term basis have been used for long term investments. Out of the short term borrowings, a sum of ₹ 2400 million has been used for long term investments in fixed assets including Capital Work in Progress.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act.
19. The Company has issued Non Convertible Debentures (in the form of bonds) under Sovereign Guarantee on private placement basis. As per information and explanation given to us, no charge or security is required to be created for the same.
20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.
21. According to the information and explanations given to us, no major fraud on or by the company has been noticed or reported during the year.

For Arun K. Aggarwal & Associates
Chartered Accountants
FRN – 003917N

sd/-

(Arun Agarwal)
(Partner)
(Mem. No. 082899)

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

sd/-

(Vipul Girotra)
(Partner)
(Mem. No. 084312)

Place: New Delhi
Date: MAY 30, 2013

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2013

	Note No.	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	**2**	6,300.00	6,300.00
Reserves & Surplus	**3**	(34,144.25)	19,066.97
NON - CURRENT LIABILITIES			
Long Term Borrowings	**4**	69,373.50	70,000.00
Other Long Term Liabilities	**5**	31,414.93	29,349.78
Long Term Provisions	**6**	107,728.29	82,047.80
CURRENT LIABILITIES			
Short Term Borrowings	**7**	46,013.37	26,474.93
Trade Payables	**8**	2,054.96	2,559.40
Other Current Liabilities	**9**	28,893.17	26,191.70
Short Term Provisions	**10**	5,871.11	7,080.79
	Total	**263,505.08**	**269,071.39**
ASSETS			
Non - Current Assets			
Fixed Assets			
(A) Tangible Assets	**11**	66,939.52	69,176.88
(B) Intangible Assets	**12**	82,052.31	88,424.87
(C) Capital Work In Progress	**13**	9,322.42	8,969.95
Non Current Investments	**14**	2,019.79	2,219.79
Long Term Loans And Advances	**15**	49,401.08	49,366.95
Other Non Current Assets	**16**	37,036.40	31,695.37
CURRENT ASSETS			
Current Investments	**17**	200.00	2,700.00
Inventories	**18**	819.54	1,005.62
Trade Receivables	**19**	3,809.98	3,288.32
Cash & Cash Equivalents	**20**	1,098.89	868.33
Short Term Loans & Advances	**21**	7,597.60	5,953.70
Other Current Assets	**22**	3,207.55	5,401.60
	Total	**263,505.08**	**269,071.39**
Significant Accounting Policies	**1**		

See accompanying notes to the financial statements

In terms of our report of even date

For and on behalf of Board

For V.K. Dhingra & Co.	**For Arun K. Agarwal & Associates**	sd- **(S.R. Sayal)**	sd- **(K.A. Sarma)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Vipul Gupta)	**(Arun Agarwal)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing
M.No. 084312	M.No. 082899	Finance	Director

Place : New Delhi

Date : 30th May, 2013

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Statement of Profit & Loss for the year ended 31st March, 2013

	Note No.	for the year ended 31.3.2013 (₹ in Million)	for the year ended As at 31.3.2012 (₹ in Million)
REVENUE			
Net Revenue From Operations	**23**	34,286.63	33,732.53
Other Income	**24**	2,854.20	2,511.64
	Total Revenue	**37,140.83**	**36,244.17**
EXPENSES			
Employee Benefits	**25**	49,013.65	37,115.63
Revenue Sharing	**26**	4,508.94	4,539.95
Licence Fees	**27**	2,410.79	2,389.14
Administrative, Operative And Other Expenses	**28**	7,652.82	8,193.35
Depreciation & Amortisation	**29**	14,769.42	14,962.15
Finance Cost	**30**	11,802.60	9,491.62
	Total Expenses	**90,158.23**	**76,691.83**
Profit/(Loss) Before Prior Period Items		**(53,017.40)**	**(40,447.66)**
Prior Period Items	**31**	193.84	650.18
Profit/(Loss) For The Period		**(53,211.23)**	**(41,097.84)**
Earnings/(Loss) Per Equity Share	**32**		
(1) Basic (₹.)		(84.46)	(65.23)
(2) Diluted (₹.)		(84.46)	(65.23)
Significant Accounting Policies	**1**		

See accompanying notes to the financial statemens

In terms of our report of even date attached

For and on behalf of Board

		sd/-	sd/-
For V.K. Dhingra & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(K.A. Sarma)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Vipul Gupta)	**(Arun Agarwal)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing
M.No. 084312	M.No. 082899	(Finance)	Director

Place : New Delhi

Date : 30th May, 2013

Note 1 : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

i. The accounts are prepared under the historical cost convention on accrual method of accounting except the following items, which are accounted for on cash basis:

(a) Interest income/liquidated damages, where realisability is uncertain.

(b) Annual recurring charges of amount up to ₹ 0.10 Millions each for overlapping period.

ii. Revenue Recognition

(a) Revenue is recognized on accrual basis, including income from subscribers whose disputes are pending resolution, and closure of the subscribers' line. Revenue in respect of service connection is recognized when recoverability is established.

(b) Provision is made for wrong billing, disputed claims from subscribers (excluding operators covered under the agreements related to IUC/Roaming/MOU), cases involving suspension of revenue realization due to proceedings in Court and debtors outstanding for more than 3 years. In respect of closed connections provision is made for outstanding for more than 3 years along with spillover amount less than 3 years. In case of Wireless Services (GSM & CDMA), the provision is made for dues, which are more than 180 days.

(c) Activation charges recovered from the subscribers at the time of new telephone connection is recognized as income in the year of connection.

(d) Activation charges in case of Mobile Services (GSM) is recognized as revenue on connection.

(e) Income from services includes income from leasing of infrastructure to other service providers.

iii. The cost of stores and materials is charged to project or revenue job at the time of issue. However, spill over items at the end of the year lying at various stores are valued at weighted average method.

iv. The sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.

v. Bonus/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company.

vi. Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure, only cases involving sums exceeding ₹ 0.10 Millions are disclosed as prior period items.

1.1 Employee Retirement Benefits

a) In respect of officials who are on deemed deputation from DOT and other Govt. Departments, the provision for pension contribution is provided at the rates specified in Appendix 2(A) to FR 116 and 117 of FR. & SR. and provision for leave encashment is made @ 11% of pay as specified in appendix 2(B) of F.R.116 and 117 of F.R. & S.R. Provision of gratuity, in respect of these officers, is not required to be made.

b) In respect of others, provision is made as per Actuarial Valuation except for post retirement medical benefits for which insurance policy is taken periodically.

2. Fixed Assets & Depreciation

i. Fixed Assets are carried at cost less accumulated depreciation. Cost includes directly related establishment expenses including employee remuneration and benefits and other administrative expenses. Establishment overheads and expenses incurred in units where project work is also undertaken are allocated to capital and revenue based either on time allocated or other attributable basis. Assets are capitalized, as per the practices described below, to the extent completion certificates have been issued, wherever applicable.

(a) Land is capitalized when possession of the land is taken. Value of Leasehold Land is amortized over the period of lease.

(b) Building is capitalized to the extent it is ready for use.

(c) Apparatus & Plants principally consisting of Telephone Exchange Equipments and Air Conditioning Plants are capitalized on commissioning of the exchange. Subscribers Installations are capitalized as and when the exchange is commissioned and put to use either in full or in part.

(d) Lines & Wires are capitalized as and when laid or erected to the extent completion certificates have been issued.

(e) Cables are capitalized as and when ready for connection with the main system.

(f) Vehicles and Other Assets are capitalized as and when purchased.

(g) Intangible assets include application software are capitalized when ready for use, entry fees for one-time payment for 3G and BWA spectrum are capitalized when the liability for the same is known and are amortized over the period for which the spectrum is provided.

ii. The fixed assets of the company are being verified by the management at reasonable intervals i.e. once in every three years by rotation. The physical verification of underground cables is done on the basis of working of network and based on records available together with a certificate from the technical officers.

iii. Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized if it results in enhancement of revenue earning capacity.

iv. Upon scrapping / decommissioning of assets, these are classified in fixed assets at the lower of Net Book Value and Net Realisable Value and the estimated loss, if any, is charged to Profit and Loss A/c.

v. Depreciation

(a) Depreciation is provided on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of Apparatus & Plant (including Air Conditioning System attached to exchanges), which is depreciated at the rates based on technical evaluation of useful life of these assets i.e. 9.5%, which is higher than the rates prescribed in Schedule XIV to the Companies Act, 1956.

(b) 100 % depreciation is charged on assets of small value in the year of purchase, other than those forming part of project, the cost of which is below ₹ 0.01 Millions in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹ 0.20 Millions for partitions.

(c) Intangible assets of entry fees for one time payment for 3G and BWA Spectrum are depreciated over the period of license respectively i.e. 20/15 years. Application software is depreciated over the useful life of the assets considered as 10 years and amortization is charged on depreciable amount accordingly. There will be no residual value at the end of the life of the assets.

3. Inventories

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

4. Foreign Currency Transactions

Transactions in foreign currency are stated at the exchange rate prevailing on the transaction date. Year-end balances of current assets and liabilities are restated at the closing exchange rates and the difference adjusted to Profit & Loss Account.

5. Investments

Current investments are carried at the lower of cost & fair market value. Long term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2013

NOTE 2

Share Capital

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10/- each	**8,000.00**	**8,000.00**
(80,00,00,000 Equity Shares of ₹10 each)		
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each	6,300.00	6,300.00
(63,00,00,000 Equity Shares of ₹10 each)		
Total	**6,300.00**	**6,300.00**

Shareholders holding more than 5% shares

Name of Shareholders	As at 31.3.2013		As at 31.3.2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC of India	118514713	18.81	118515213	18.81

NOTE-3

Reserves & Surplus	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Share Premium Account		
Opening Balance	6650.05	6650.05
Addition	-	-
Deletion	-	-
Closing Balance	6650.05	6650.05
Surplus/ (Deficit)		
Opening Balance	(90,069.32)	(49,161.33)
Add: Profit during the year	-	-
Less: (Loss) during the year	(53,211.23)	(41,097.84)
Add: Transfer from Other Reserves	491.29	189.85
Closing Balance	(142,789.26)	(90,069.32)
Reserve for Contingencies*		
Opening Balance	3,948.46	4,138.30
Addition	-	-
Deletion	(491.29)	(189.85)
Closing Balance	3,457.17	3,948.46
Reserve for Research & Development		
Opening Balance	308.00	308.00
Addition	-	-
Deletion	-	-
Closing Balance	308.00	308.00
General Reserves		
Opening Balance	98229.79	98229.79
Addition	-	-
Deletion	-	-
Closing Balance	98229.79	98229.79
Total	**(34,144.25)**	**19,066.97**

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

NOTE - 4

LONG TERM BORROWINGS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
(A) Secured **(a) Term Loans** **From Banks*** (Secured by floating first pari passu charge on all fixed and curent assets)	59,323.50	70,000.00
	59,323.50	70,000.00
(B) Unsecured **Debentures**** (10050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)	10,050.00	-
	10,050.00	
Total	**69,373.50**	**70,000.00**

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

Name of Bank	Amount outstanding (Rs. in million)	No. of instalments	Rate of interest
Union Bank of India	9,100.00 (10,000.00)	9 (spread over from Feb., 2014 to Feb., 2018)	Base Rate + 1.50 %
IDBI	38,500.00 (40,000.00)	16 (spread over from March, 2014 to Dec., 2017)	Base Rate + 1.40 %
Punjab National Bank	1,723.50 (10,000.00)	9 (spread over from April, 2014 to April, 2018)	Base Rate + 1.65 %
Indian Overseas Bank	10,000.00 (10,000.00)	9 (spread over from Jan., 2015 to Jan., 2019)	Base Rate + 1.15 %
TOTAL	**59,323.50** **(70,000.00)**		

**Details of Debentures issued by the Company:-

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 Redmption date being 28.03.2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date.

NOTE - 5

OTHER LONG TERM LIABILITIES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Payble to BSNL	16345.13	15205.76
Security Deposits from Customers	5815.86	5816.35
Trade Payables- Non Current	570.15	648.39
Other Long Term Liabilities	8683.79	7679.28
Total	**31,414.93**	**29,349.78**

NOTE - 6

LONG TERM PROVISIONS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
(a) Provisions for Employee Benefits		
Pension- Company Employees	96768.16	72495.08
Leave Encashment- Company Empolyees	8346.83	6936.10
Gratuity- For DoT Period	2609.13	2609.13
(b) Other long Term Provision	4.17	7.49
Total	**107,728.29**	**82,047.80**

NOTE - 7

SHORT TERM BORROWINGS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
A. Loans repayble on demand		
Unsecured		
(i) From Banks- Overdrafts	33013.37	26474.93
(ii)From Banks- Short Term Loans	13000.00	0.00
Total	**46013.37**	**26474.93**

NOTE - 8

TRADE PAYABLES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
(i) For Goods and Services	2050.13	2559.40
(ii) Due under MSMED Act	4.83	0.00
Total	**2,054.96**	**2,559.40**

NOTE - 9

OTHER CURRENT LIABILITIES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Current maturities of long term debt	2400.00	0.00
Interest Accrued but not due		
(i) On security deposits	21.79	22.34
(ii) On borrowings	219.21	749.16
Interest accrued and due on borrowings	694.30	0.00
Interest accrued and due on bonds	9.44	0.00
Income received in advance	1045.49	1218.74
Other Payables		
Deposits from :		
(i) Contractors	445.99	377.37
(ii) Customers	163.95	772.46
Unclaimed Bonds	0.68	0.68
Other Liabilities		
(i) For Salary & other benefits	1683.37	1633.05
(ii) ExGratia/ Bonus	0.00	0.15
(iii) GPF of MTNL optee	14844.85	13757.91
(iv) Service Taxes & withholding Taxes Payables	2443.11	2386.05
(v) Advance received from customers	433.11	759.70
(vi) Gratuity- company employees	391.10	952.72
(vii) Others	1006.94	1220.22
Amount Payable:		
(i) To DOT	756.02	516.44
(ii) To contractors- other than goods & services	1399.06	1053.84
(iii) To other operators for revenue sharing (Other than BSNL)	934.76	770.86
Total	**28893.17**	**26191.70**

MTNL

NOTE - 10

SHORT TERM PROVISIONS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Provision for employee benefits		
Pension contribution		
(i) Company employees	4793.43	6496.38
(ii) Others	3.84	119.05
Leave Encashment		
(i) Company employees	1039.48	434.65
(ii) Others	5.56	2.90
Others		
Others	9.50	9.50
OTHERS		
Provision for Wealth tax	19.30	18.30
Total	**5871.11**	**7080.79**

NOTE - 11 TANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation & Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2012	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2013	As At 1.4.2012	For The Year	Sales/ Adjustments During The Year	As At 31.3.2013	As.at 31.3.2013	As.at 31.3.2012
LAND:											
- FREEHOLD	190.48	-	-	-	190.48	-	-	-	-	190.48	190.48
- LEASEHOLD	3,190.10	0.82	-	-	3,190.93	425.29	33.82	(0.01)	459.10	2,731.83	2,764.81
BUILDING	14,129.71	1,240.86	528.03	2.12	15,896.48	4,645.48	650.84	6.61	5,302.94	10,593.55	9,484.23
LEASED PREMISES	53.52	-	-	-	53.52	11.31	-	1.00	12.31	41.21	42.21
LINES & WIRES	1,122.49	85.85	58.54	-	1,266.87	712.64	40.32	0.83	753.79	513.09	409.84
CABLES	73,806.18	1,083.10	(12.48)	2.78	74,874.02	54,134.47	2,254.63	12.49	56,401.59	18,472.43	19,671.71
APPARATUS & PLANT	90,008.31	2,862.98	259.25	275.25	92,855.29	55,759.51	5,097.90	(668.37)	60,189.03	32,666.26	34,248.81
VEHICLES	293.99	-	(3.12)	13.06	277.81	255.99	5.99	(15.61)	246.37	31.44	38.00
FURNITURE & FIXTURES	1,493.60	33.55	(0.28)	0.05	1,526.82	1,115.87	54.81	(0.36)	1,170.32	356.50	377.73
OFFICE MACHINERY & EQUIPMENTS	374.59	1.17	(2.46)	1.08	372.22	250.16	13.21	(2.47)	260.91	111.31	124.43
ELECTRICAL APPLIANCES	1,570.84	(43.24)	(1.71)	0.91	1,524.98	824.52	63.31	(4.12)	883.71	641.26	746.31
COMPUTERS	2,799.72	11.73	(11.71)	21.09	2,778.64	2,183.14	182.03	(30.91)	2,334.25	444.39	616.58
ASSETS SCRAPPED / DECOMMISSIONED	526.47	(5.95)	(369.39)	5.36	145.77	-	-	-	-	145.77	526.47
TOTAL	**189,560.00**	**5,270.89**	**444.66**	**321.71**	**194,953.85**	**120,318.39**	**8,396.86**	**(700.92)**	**128,014.33**	**66,939.52**	**69,176.88**
Previous Year	**182,023.36**	**9,671.22**	**(839.62)**	**1,294.96**	**189,560.00**	**113,461.52**	**8,594.51**	**(1,737.64)**	**120,318.39**	**69,176.88**	**-**

Adjustments during the year Rs.369.39 million in Assets Scrapped/ Decommissioned represents provision/loss against the same.

NOTE - 12 INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation & Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2012	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2013	As At 1.4.2012	For The Year	Sales/ Adjustments During The Year	As At 31.3.2013	As.at 31.3.2013	As.at 31.3.2012
APPLICATION SOFTWARE	766.66	-	-	-	766.66	324.23	69.05	-	393.28	373.38	442.43
3G & BWA LICENCE FEES	110,979.70	-	-	-	110,979.70	22,997.26	6,303.51	-	29,300.77	81,678.93	87,982.44
TOTAL	**111,746.36**	**-**	**-**	**-**	**111,746.36**	**23,321.49**	**6,372.56**	**-**	**29,694.05**	**82,052.31**	**88,424.87**
Previous Year	**111,680.32**	**65.89**	**0.15**	**-**	**111,746.36**	**16,931.69**	**6,367.64**	**22.15**	**23,321.49**	**88,424.87**	**-**

NOTE - 13
CAPITAL WORK IN PROGRESS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Buildings	945.63	1703.49
Apparatus & Plants	6474.02	4205.71
Lines & Wires	18.01	102.88
Cables	1195.38	1727.26
Subscribers Installations	213.80	180.45
Air Conditioning Plants	475.58	1050.15
Total	**9,322.42**	**8,969.95**

NOTE - 14
NON CURRENT INVESTMENTS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
LONG TERM INVESTMENTS (UNQUOTED)		
TRADE INVESTMENTS		
(i) INVESTMENTS IN EQUITY INSTRUMENTS		
Investment in Subsidiary Companies		
MillenniumTelecom Ltd. (Un Quoted 2875880 Equity shares of ₹10 each fully paid up)	28.76	28.76
Mahanagar Telephone Mauritius Ltd. (Un Quoted 572264029 Equity Shares)	1009.70	1009.70
Investment in Joint Ventures		
United Telecom Ltd. (Un Quoted 5736200 Equity Shares of Nepali ₹ 100 (INR 62.50) each fully paid up)	358.51	358.51
MTNLSTPI IT Services Ltd. (Un Quoted 2282000 Equity shares @ ₹10 each)	22.82	22.82
(ii) INVESTMENT IN PREFERENCE SHARES		
Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, first instalment of ₹200000000 was due, in 2012-13 but still not received.	600.00	800.00
Total	**2019.79**	**2219.79**

NOTE - 15

LONG TERM LOANS AND ADVANCES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
SECURED, CONSIDERED GOOD		
Advances to employees		
i) Housing Loan	578.11	787.84
ii) Vehicle Loan	16.97	27.00
iii) Other Loans	2.88	8.41
UNSECURED, CONSIDERED GOOD		
Capital Advance	37.86	38.68
Deposits with other Govt. Deptt. / Companies	455.31	658.35
Loans and Advances to related parties	39.96	29.54
Others		
Advance Taxes		
Income Tax	15939.07	21411.64
Less: Provision for income tax	(5819.13)	(8844.57)
	10119.94	**12567.07**
FBT	3518.31	1506.78
Less: Provision for FBT	(257.45)	(257.45)
	3260.86	**1249.33**
Cenvat	72.51	105.29
Amount recoverable from DoT	35117.68	34262.80
Total	**49702.08**	**49734.31**
Less:		
Provision for Doubtful Advances	301.00	367.37
Total	**49401.08**	**49366.95**

NOTE - 16

OTHER NON CURRENT ASSETS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Receivable from BSNL	36097.39	30679.67
Interest accrued on loans and advances	876.40	930.68
Receivable from DOT	65.45	65.45
Bank deposits (with more than 12 months maturity)*	57.75	84.02
Interest accrued on deposit	8.68	5.51
Less:		
Provision for other non current assets	69.27	69.96
Total	**37,036.40**	**31,695.37**

* includes ₹ 57.75 million (₹ 84.02 million) under lien

NOTE - 17

CURRENT INVESTMENTS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Investment in ITI Preference shares (Unquoted)	400.00	200.00
(Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, first instalment of ₹200000000 was due in 2012-13 but still not received.)		
Investment in MKVDC bonds having a coupon rate of 11.50% (Unquoted)	0.00	2500.00
Less: Provision for doubtful recovery of investment	200.00	0.00
Total	**200.00**	**2700.00**

NOTE - 18

INVENTORIES*

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Lines and Wires	24.83	32.00
Cables	403.39	537.23
Exchange Equipment	382.49	459.60
Telephone & Telex Instrument	187.65	127.79
WLL Instruments	156.94	161.04
Telephone & Telex Spares	1.06	1.05
Installation Test Equipment	1.85	2.71
Mobile Handset & Sim cards	31.26	23.23
Total	**1,189.47**	**1,344.66**
Less:		
Provision for obsolete stores	369.93	339.04
Total	**819.54**	**1,005.62**

* Inventories being stores and spares are valued at cost or net realizable value, whichever is lower. Cost is determined on weighted average basis.

NOTE - 19

TRADE RECEIVABLES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
UNSECURED		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
CONSIDERED GOOD	1284.47	1291.15
CONSIDERED DOUBTFUL	23.51	19.58
(b) OUTSTANDING FOR OVER SIX MONTHS		
CONSIDERED GOOD	1931.79	1784.03
CONSIDERED DOUBTFUL	6886.03	6317.91
Total	**10125.79**	**9412.68**
Less:		
PROVISION FOR DOUBTFUL DEBTS	6299.08	4929.32
PROVISION FOR WRONG BILLING	16.73	1195.04
Total	**3809.98**	**3288.32**

Secured to the extent of security deposits to the tune of ₹5979.81 million (₹6588.81 million) which are under reconciliation.

NOTE - 20

CASH AND CASH EQUIVALENTS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Balances with banks	999.14	821.36
Cheques/ Drafts in hand	56.62	50.42
Cash in hand	22.75	7.82
Bank deposits (with less than 1 year maturity)*	32.59	0.89
Total	**1111.10**	**880.50**
Less:		
Provision for doubtful bank balances	12.21	12.16
Total	**1098.89**	**868.33**

* includes ₹ 32.59 million under lien

NOTE - 21

SHORT TERM LOANS AND ADVANCES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
LOANS & ADVANCES		
(1) To EMPLOYEES		
Secured, Considered good		
(i) Housing Loan	228.48	250.24
(ii) Vehicle Loan	7.97	11.00
(iii) Other Loans	4.30	7.67
Unsecured, Considered good;		
Festival, TA, LTC, Medical etc advances	572.67	610.91
(2) To OTHERS		
Unsecured, Considered good		
(i) Contractors	280.65	389.15
(ii) Advance payment of Taxes		
(a) Income Tax	429.63	372.82
(b) Wealth Tax	17.65	15.93
(iii) Prepaid expenses	399.73	246.81
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - IUC operators	1.29	636.19
(b) Service Tax Recoverable - others	873.86	0.00
(c) Cenvat Credit	1050.03	1071.13
(v) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	424.48	424.37
(b) Others	3523.23	2176.60
Total	**7813.97**	**6212.80**
Less:		
Provision for Doubtful Advances	216.37	259.10
Total	**7597.60**	**5953.70**

NOTE - 22

OTHER CURRENT ASSETS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Interest accrued on deposits	6.23	194.33
Interest accrued on loans and advances	96.08	80.79
Interest accrued on Income Tax Refund	434.07	470.49
Income Tax Receivables	603.04	2566.83
Unbilled Revenue	2068.14	2089.16
Total	**3207.55**	**5401.60**

MTNL

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

NOTE 23

NET REVENUE FROM OPERATIONS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
(A) Revenue From Sale of Services		
Fixed Telephone:		
FIXED MONTHLY CHARGES	6170.66	6605.28
CALLS & OTHER CHARGES	5381.99	5539.18
FRANCHISEE SERVICES	448.68	498.12
RENT & JUNCTION CHARGES- OTHERS	2352.92	1308.09
ACCESS CALLS & OTHERS CHARGES- OTHERS	1134.79	1925.43
IPTV	15.18	14.80
BROADBAND	7402.46	6814.90
VCC	37.68	36.04
CIRCUTS- LOCAL	1112.76	1023.81
CIRCUTS- LONG DISTANCE	1408.92	1418.83
INTERCONNECTION CHARGES	26.41	0.00
ISDN - FIXED MONTHLY CHARGES	419.51	412.46
ISDN- CALL CHARGES	332.72	339.25
MOBILE SERVICES:		
WLL-FIXED CHARGES	52.27	85.33
WLL-CALL CHARGES	25.73	39.27
INTERCONNECTION CHARGES	838.85	2936.87
CELLULAR- FIXED & CALL CHARGES	1066.30	1643.89
INCOME FROM ROAMING	2803.60	259.64
PRE-PAID INCOME	2616.46	2182.14
ACTIVATION CHARGES	3.79	3.20
VAS	101.75	73.48
OTHER SERVICES:		
INTERNET	52.34	34.34
FREE PHONE	360.36	253.98
PREMIUM RATE SERVICES	3.63	3.30
VOIP SERVICES	6.11	11.31
Miscellanous	12.80	18.33
(b) Other Operating Revenues		
Revenue from enterprise business	1.25	92.47
Surcharge on delayed payments	96.71	158.81
Total	**34,286.63**	**33,732.53**

NOTE - 24

OTHER INCOME

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
INTEREST		
(i) From Bank	8.48	7.71
(ii) From Employees	87.00	92.87
(iii) From Others	49.64	288.32
(iv) From Income Tax Refunds	460.67	331.36
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	1.91	3.00
Profit on sale of assets	42.04	35.97
Liquidated damages	147.36	178.35
Foreign Exchange Fluctuation Gain	0.12	0.47
Bad Debts Recovered	8.36	14.26
Excess Provision Written back	842.83	743.90
Rent on Quarters/ IQs/ Hostels & other services	86.37	56.49
Rental income from properties	646.82	297.63
Others	472.59	461.31
Total	**2854.20**	**2511.64**

NOTE - 25

EMPLOYEE BENEFITS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Salary, Wages & Other Benefits	22602.09	21373.65
Bonus / Exgratia	0.01	0.05
Medical Expenses/ Allowances	789.57	833.74
Leave Encashment		
(I) Company Employees	2626.34	943.32
(II) Others	19.19	14.46
Pension Contribution		
(I) Company Employees	26463.85	15620.86
(II) Others	10.59	165.48
Contribution To CPF	652.09	521.48
Gratuity	737.57	1906.17
Staff Welfare Expenses	26.59	34.67
Total	**53,927.89**	**41,413.87**
Less:		
Allocation To Capital Work In Progress	4914.24	4298.25
Total	**49,013.65**	**37,115.63**

NOTE - 26

REVENUE SHARING

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
REVENUE SHARING	4508.94	4539.95
Total	**4508.94**	**4539.95**

NOTE - 27

LICENCE FEES

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
LICENSE FEES	2410.79	2389.14
Total	**2410.79**	**2389.14**

NOTE - 28

ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Power, Fuel & Water	2447.10	2135.25
Rent	845.86	810.06
Repairs & Maintenance		
(1) Building	138.81	162.54
(2) Plant & Machinary	1150.73	1243.67
(3) Others	271.00	212.15
Seminar & Training Charges	6.66	3.74
Insurance	61.08	61.27
Rates & Taxes	474.54	406.56
Wealth Tax	1.65	2.37
Travelling Expenses	7.22	11.35
Postage & Courier	61.32	77.22
Printing & Stationery	82.47	89.73
Vehicle Expenses		
(I) Maintenance	8.37	8.91
(II) Running	24.62	27.89
(III) Hiring	80.47	95.91
Commission Paid To Franchisee Services	332.75	355.81
Advertising / Business Promotion Expenses	53.94	195.92
Foreign Exchange Fluctuation Loss	17.37	33.10

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Provision For Doubtful Debts	480.77	828.71
Provision For Doubtful Recovery of Investment	200.00	0.00
Provision For Wrong Billing	0.28	4.62
Provision For Obsolete Store / Claim	30.62	30.45
Bad Debts Written Off	18.73	11.52
Professional & Consultancy Charges	45.06	59.63
Internet Charges	463.52	413.57
Loss on Sale of Assets	50.53	181.82
Loss of Assets (Other Than On Sale)	126.71	202.26
Spectrum Charges (Wll)	2.40	0.51
Spectrum Charges (Ms)	499.60	398.25
Interest on Customer's Deposits	4.06	4.11
Provision for Doubtful Advances	95.01	16.54
Miscellaneous Expenses	734.28	721.51
Total	**8,817.51**	**8,806.95**
Less:		
Allocation To Capital Work In Progress	1164.69	613.60
Total	**7,652.82**	**8,193.35**

NOTE - 29

DEPRECIATION & AMORTIZATION EXPENSES

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Depreciation	8396.86	8578.57
Amortization -3G Spectrum	3280.86	3282.00
Amortization -BWA Spectrum	3022.65	3022.65
Amortization -Other Intangibles	69.05	78.94
Total	**14,769.42**	**14,962.15**

NOTE - 30

FINANCE COST

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Interest On Bonds	9.44	0.00
Interest On Loan	11780.35	9491.62
Commitment Fees	1.10	0.00
Other Borrowing Costs	11.71	0.00
Total	**11,802.60**	**9,491.62**

NOTE - 31

PRIOR PERIOD ITEMS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Prior Period Items (Debit)		
Rent	(4.18)	0.00
Rates & Taxes	49.58	0.00
Repair To Buildings & Others	7.94	2.08
Depreciation	155.20	147.37
Others	(5.94)	9.08
Less:-		
Prior Period Items (Credit)		
Income From Telephone	8.25	(0.83)
Excess Provision Written Back (Income Tax)	0.00	8.10
Interest On Income Tax Refund	0.00	(471.03)
Others	0.51	(27.90)
NET	**193.84**	**650.18**

NOTE - 32

EARNINGS/ (LOSS) PER SHARE

	For the year ended 31.3.2013 (Rs.)	For the year ended 31.3.2012 (Rs.)
Basic	(84.46)	(65.23)
Diluted	(84.46)	(65.23)

NOTE - 33

PAYMENTS TO STATUTORY AUDITORS (Disclosure Note only)

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
(a) As Auditor	3.70	3.09
(b) For Taxation Matters	0.91	0.67
(c) For Other Services	2.08	2.47
(d) For Reimbursement of Expenses	0.94	0.96
TOTAL	**7.63**	**7.20**

NOTE - 34

NOTES TO ACCOUNTS

(₹in Millions)

	1. Contingent Liabilities	2012-13	2011-12
(a)	Income Tax Demands disputed and under appeal	13176.91	11017.99
(b)	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	5761.60	5761.43
(c)	Disputed Demand under Lease Act	NIL	49.92
(d)	Interest to DDA on delayed payments/pending court cases/Tax cases	Amount Indeterminate	Amount Indeterminate
	ii Stamp duty payable on land and buildings acquired by the Company	Amount Presently Unascertainable	Amount Presently Unascertainable
(e)	Claims against the company not acknowledged as Debts	40503.32	9859.69
(f)	Bank guarantee & Letter of Credit	1243.46	981.62
(g)	Directory dispute	2858.34	2858.34
(h)	Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution	1738.10	1738.10
(i)	Pending court cases against land Acquisition	53.78	53.78

(j) Contingent Liability on account of Income Tax as shown in 1(a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed and notices u/s115 WG(c) of I.T. Act for FBT for the Assessment year 2007-08 to 2009-10 and a notice u/s 148 of I.T. Act for the assessment year 2007-08, as the same are Indeterminable.

(k)	BSNL IUC contingent liability	1403.63	1403.63

2. Change in Accounting Policy

No change in the Accounting Policy has been made during the year .

3. Estimated amount of contracts remaining to be executed on capital account is ₹ 1341.83 Million (Previous year ₹ 2004.16 million). In respect of contracts where the expenditure already incurred has exceeded the contract value and the contract remains incomplete, the additional expenditure required to complete the same cannot be quantified.

4. Other liabilities include credits on account of receipts including service tax from subscribers amounting to ₹420.30 Million (₹412.24 Million), which could not be matched with corresponding debtors or identified as liability, as the case may be. Appropriate adjustments/ payments shall be made inclusive of service tax, when these credits are matched or reconciled. Therefore, it could not be adjusted against making provision for doubtful debts.

5. a) The company had claimed benefit under section 80 - IA of the Income Tax Act, 1961 for the financial years from 1997-98 to 2005-06. The appellate authorities have allowed the claim to the extent of 75% of the amount claimed. The company has preferred appeals for the remaining claim before the Hon'ble Courts of Delhi. The company has retained the provision of ₹4003.32 million (₹4003.32 million) for this claim for the financial years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to ₹3457.16 million (₹3948.46 million) for the financial years 1997-98 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act,1961.

b) Income Tax receivable include appeal effect of ₹1015.43 million pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of ₹603.03 million and interest accrued thereon amounting to ₹412.4 million. Efforts are being made to recover the same at the earliest.

c.) The balances appearing in Advance tax, Provisions for income tax and Interest on income tax refunds are subject to reconciliation with the figures of the tax records.

6. In accordance with Accounting Standard 22, accounting for taxes on Income, the company has deferred tax assets amounting to ₹ 40173.90 million (₹ 25850.97 million) including ₹9204.16 million (₹6897.96 million) on account of unabsorbed depreciation and ₹28859.41 million (₹16896.27 million) brought forward business losses as on 31.3.2013. However, in the current Telecom Industry Scenario, there is no virtual certainty of availability of sufficient future taxable income against which the above asset can be realized. Hence, the Deferred Tax asset has not been accounted for. DTA amounting to ₹40173.90 million (₹25850.97 million) shall be created in the year in which the company will have virtual certainty of future taxable income as required by AS-22 issued under the Companies (Accounting Standards) Rules, 2006.

7. a) Provision for taxation for the current year comprises of Income Tax of ₹ Nil (₹Nil), Wealth Tax of ₹1.65 Millions (₹2.37 million).

   b) During the year, the company has suffered a business loss of ₹53211.23 millions (₹41097.84 million). The company intends to carry forward its business loss including unabsorbed depreciation/ amortization to the tune of ₹46179.10 million (₹35538.41 million) as per calculation made under Income Tax Act, 1961.

8. (a) The supplemental agreement entered into between United India Periodicals Pvt. Ltd. / United Data Base (India) Pvt. Ltd/ Sterling Computers Ltd and the company for printing of telephone directories was struck down by the Hon'ble High Court of Delhi on 30.9.92 and the said decision was upheld by the Hon'ble Supreme Court of India on 12.1.93. A claim against the Company has been raised by Sterling Computers Ltd. for ₹258.2 Millions which being under dispute, has not been provided for. The company has filed its counter claims of ₹228.7 Millions before the Hon'ble High Court against Sterling/ UDI/UIP and has also filed arbitration claims of ₹561.8 Millions plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for ₹154.91 Millions (₹154.91 Millions) on account of royalty, interest and billing charges and on payments made through Letter of Credit; ₹130.47 Millions (₹130.47 Millions) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the company for interest and service charges aggregating ₹143.67 Millions (₹143.67 Millions) have not been accounted for.

Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation of claim and further claims recoverable shall be effected upon determination based on the outcome of the proceedings in the court of law.

MTNL has filed OMP No.151/1996 seeking enlargement of time under Section 28 of the Arbitration Act for the Arbitrator to publish the award. The case is still pending and will be listed along with OMP No.135/94 for final hearing. The petitioner M/s United India Periodical (Ltd.) filed OMP No.135/94 in the High Court of Delhi challenging the appointment of Arbitrator under Section 33 of the Arbitration Act 1940. The Petition is pending from 24.10.1994 in the High Court of Delhi. Now the petitioner has filed an application for amendment in the petition filed in the year 1994 with the prayer that the arbitration clause 20 of the original contract dated 14.3.1987 be determined by the Hon'ble Court of the subsequent events. During the financial year 2011-12, the Hon'ble High Court pass an order on 7.12.2011directing to stop arbitration proceedings against M/s Sterling regarding the arbitration case of M/s UIP also and it is informed by learned arbitrator that this proceeding stand still in the SLP filed by UIP. However, MTNL is not received the certified copy of the order. On receipt of the same MTNL will file further to the court. The petitioner has also took plea of res-judicata as the MTNL filed the Suit No.4628 of 1994 in Mumbai and the same is pending before the Bombay High Court. The case is now listed in the category of final matter and is on regular board of the Court for the both the aforesaid OMP's.

The suit filed by MTNL against M/s Sterling Computers and others is pending in the High Court of Mumbai in which claims to the tune of ₹228.7 millions towards Royalty, Interest on Royalty amount upto 31.8.1994, amount paid against LC, Interest on amount of LC, L/D for non-performance and other charges etc. for Delhi and Mumbai both units. This suit is filed after non-performance of supplementary agreement dated 19.7.1991 & 26.9.1991 by M/s Sterling Computers Ltd. The case is still pending at Mumbai High Court.

(b) MTNL entered into contracts with M/s. M & N Publications Limited for printing, publishing and supply of telephone directories for Delhi and Mumbai unit for a period of 5 years starting from 1993. After printing and issue of 1993 (main & supplementary) and 1994 main directory, M/s. M & N Publications Ltd terminated the contract prematurely on 04.04.1996. MTNL, Mumbai invoked Bank Guarantee on 09.04.1996 and issued Legal Notice on 22.07.1996 and terminated the contract.

Sole Arbitrator has been appointed by CMD, MTNL. The Sole Arbitrator has since given his award on 09.04.2013 partly in favor of MTNL, Mumbai. The claim and counter claim under arbitration will be accounted for in the year when the ultimate collection/payment of the same becomes reasonably certain.

9. Certain Lands and Buildings capitalized in the books are pending registration/legal vesting in the name of the company and the landed properties acquired from DOT have not been transferred in the name of the company and in the case of leasehold lands, the documentation is still pending. Stamp Duty and the lands and buildings acquired from DOT is payable by DOT as per sale deed and in respect of properties acquired after 1.4.1986, the documentation shall be contemplated at the time of sale or disposal as and when needed.

10. The Mumbai Unit had applied for amnesty under the Maharashtra Kar Nivaran Yojana, 1999 in respect of the Sales Tax demands of ₹8.10 Millions (₹8.10 Millions). The application for amnesty towards demands aggregating ₹2.09 Millions (₹2.09 Millions) has been accepted. The balance applications

relating to demands of ₹6.02 Millions (₹6.02 Millions) are under process and are not included under Contingent Liabilities.

11. The amount recoverable from BSNL is ₹36097.39 Millions (₹30679.67 Millions) and amount payable is ₹16345.13 Millions (₹15205.76 Millions). The Net recoverable of ₹19752.26 Millions (₹15473.91 Millions) is subject to reconciliation and confirmation.

a) Certain claims of BSNL on account of Signaling charges ₹219.30 millions (₹219.30 millions), Transit tariff ₹251.90 millions (₹251.90 millions), MP Billing ₹60.10 millions(₹60.10 millions), Service Connections ₹401.48 millions (₹401.48 millions), IUC ₹101.40 millions (₹101.40 millions) and IUC from Gujrat Circle ₹11.14 millions (₹11.14 millions) are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary.

b) Delhi Unit has accounted for the expenditure on account of telephone bills of service connections raised by BSNL towards MTNL for the period from 01.10.2000 to 30.09.2006 to the tune of ₹98.01 millions (₹98.01 millions) on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹312.72 millions (₹312.72 millions), since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of ₹214.72 millions (₹ 214.72 millions) is shown as contingent liability.

c) In both Delhi and Mumbai Unit an amount of ₹3782.25 millions (3375.84 millions) and ₹2748.67 millions (₹2750.38 millions) has been accounted as receivable and payable from BSNL respectively on account of IUC charges which is included in the recoverable & payable amounts as shown above.

d) During the year in Delhi Unit out of the Access calls and other charges ₹76.94 millions (₹104.69 millions) towards interconnect charges on rate prescribed by TRAI in IUC regulation in the absence of any interconnect agreement between MTNL & BSNL. BSNL is also charging the same and the claim raised by both parties are under dispute. Direct connectivity traffic expenditure with BSNL has been booked on the basis of billing system of Delhi Unit.

e) During the year an amount of ₹1296.55 millions (₹868.65 million) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL. In case of Mumbai Unit, ₹3.27 millions (₹39.72 million) as payable to BSNL.

f) During the year an amount of ₹184.02 million (₹190.58 million) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.

12. As per directions of the Hon'ble Delhi High Court one UASL operator had paid to MTNL, Mumbai ₹1249.30 million and ₹339.90 million in 2004-05 and 2005-06 respectively against the claim of ₹1589.20 million. The company has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for reconciliation of the bills. The Company has filed a Civil Appeal and application for stay of operation of the order of TDSAT in the Hon'ble Supreme Court of India which is admitted by the court on 10-5-2013 for further course of action.

13. The Bank Reconciliation Statements as at 31st March 2013 include unmatched/unlinked credits/ debits given by the banks in the Mumbai Unit's bank accounts amounting to ₹2.40 million (₹1.59m) and ₹1.41 million (₹2.02m) respectively. Reconciliation and follow up with the bank official to match/ rectify the same is in process. Necessary adjustments have been made in the books of accounts.

14. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹1000 Millions during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in 5 equal installments. Accordingly, five installments amounting to ₹200 Millions each, aggregating to ₹1000 Millions 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 first installment which was due in 2012-13 has not been paid. As per the information, Dept. of Telecom's proposal to revive the company is in an advanced stage and DOT planned to send the case for cabinet approval before 31-12-2013. In view of the revival plan being in an advanced stage the provision for the installment due in 2012-13 is only considered.

15. Amount recoverable on current account from DOT is ₹35183.13 Millions (₹34328.25 Millions) and amount payable is ₹756.02 Millions (₹516.44 Millions). The net recoverable of ₹34427.11 Millions (₹33811.81 Millions) is subject to reconciliation and confirmation.

a) In both the units, deposits from applicants and subscribers as on 31st March, 1986 were ₹1503.59 million as intimated provisionally by DOT. In Mumbai Unit, at the year end these deposits amounting to ₹1032.79 millions (₹1032.79 millions), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31st March, 1986. Out of the said amount of ₹1032.79 million, claims of ₹597.94 millions (₹597.94 million) have been settled and ₹434.85 millions (₹434.85 million) is due at the end of the year. In case of Delhi Unit, balance on this account is still recoverable is ₹123.60 millions (₹123.60 millions).

b) The balance in the Subscribers' Deposit Accounts is to the tune of ₹5979.81 million (₹6588.81 million).Out of this balance in Delhi Unit an amount of ₹3017.12 Millions (₹3133.56 Millions) on account of subscriber deposits is under reconciliation.

c) Interest Accrued and Due on the aforesaid subscriber deposit accounts for both the units of ₹ 21.80 Millions (₹23.97 Millions) is subject to reconciliation with the relevant subsidiary records.

d) The reconciliation of deposits pertaining to Mumbai unit is done and on reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS), an amount of ₹1348.04 million is found excess in financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.

e) On reconciliation of balance outstanding under refund due to subscribers account with actual amount due for refund, ₹371.28 million was identified as excess liability appearing in the financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.

f) In both of the units there are unlinked receipts to the tune of ₹420.30 millions(₹ 412.60 millions).

g) The balance of sundry debtors as per ageing summary under subsidiary records lower by ₹73.83 millions (₹94.70 millions) as compared to the balance in general ledger and is under reconciliation. The resultant impact of the above on the account is not ascertainable.

h) In Mumbai Unit, the balances under sundry debtors includes accrued surcharge of ₹3.01 millon (₹3.87m) for late payments.

i) In Delhi unit, provision of Debtors including spill over has been made amounting to ₹922.94 millions (₹1014.53 m) against the total debtors excluding service tax amounting to ₹1274.03 million (₹1321.61 m) on the basis of financial books.

16. License Fees were calculated on the AGR accounted for on accrual basis in respect of both revenue and revenue sharing with other operators till 2011-12. As regards the directions of Supreme Court given earlier in respect of calculation of License Fees and AGR the matter has been referred back to TDSAT and is pending in respect of other private telecom operators. However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement. In respect of revenue sharing with BSNL, the issue is taken up with DOT while paying License Fees on actual payment basis from 2012-13 onwards. The impact of ₹1403.63 Million on this account upto the year 2011-12 has been shown as contingent liability and issue is also taken up with BSNL and DOT by MTNL.

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

Sl. No.	Name of the Bank and Branch	Balance as on 31st March, 2013	Maximum balance during the year ended 31st March, 2013
		(₹)	(₹)
A.	Patan Cooperative Bank Limited	27,634	(27,634)
	(account closed, considered doubtful)	27,634	(27,634)
B.	Indira Sahakari Bank Limited	5,594,189	(5,594,189)
	(considered doubtful)	5,594,189	(5,594,189)
C.	The Mogaveera Cooperative Bank Limited	35,445	(35,445)
	(account closed, considered doubtful)	35,445	(35,445)

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

		2012-13 (₹ in million)	2011-12 (₹ in million)
a)	Customs duty refund claims	53.21	53.21
b)	Insurance claims due to theft	744.46	770.37
c)	Refund claimed from BMC (Sewerage Tax, etc)	30.15	27.82

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

20 a) Out of total provision of Gratuity of ₹14181.74 Millions up to 31.3.2013 (₹13790.64 Millions), an amount of ₹1943.73 Millions(₹1943.73 Millions) and ₹665.40 Millions (₹665.40 Millions) is recoverable from DOT, in respect of Group C & D and Group B employees respectively, for the period prior to their absorption. As on 31.03.2013 ₹12236.61 Millions (₹10386.13 million) is available with the Gratuity Trust.

b) The total provision of Leave Encashment is ₹9386.31 Millions up to 31.3.2013 (₹7370.75 Millions). Out of this, an amount of ₹653.68 Millions (₹653.68 Millions) and ₹433.74 Millions (₹433.74 Millions) is recoverable, from DOT in respect of Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.

c) An amount of ₹14732.72 Millions (₹13541.11 Millions) towards GPF contribution is recoverable from DOT as on 31.3.2013. The amount pertains to Group C& D and Group B employees absorbed in MTNL w.e.f. 01.11.98 and 01.10.2000 respectively.

d) The total provision of Pension is ₹101561.59 Millions (₹78991.46 Millions) upto 31.3.2013. Out of this an amount of ₹7546.2 Millions (₹7546.2 Millions) and ₹2201.02 Millions (₹2201.02 Millions) is recoverable from DOT in respect of Group C&D and Group B employees for the period prior to their absorption.

The provisions of Pension, Gratuity & Leave Encashment for absorbed employees have been made on actuarial valuation.

e) The DOT has given commitment vide GOI Ministry of Communication & IT Deptt. of Telecom vide letter No. 40-29/2002-Pen(T) dated 29th August, 2002 that it has been agreed in principle that the payment of pensionary benefits including the family pension to the government employees absorbed in MTNL and who have opted for government scheme of pension shall be paid by the government. The exact modalities in this regard are being worked out by Deptt. Of Pension and Pensioners welfare. Pending decisions on the modalities of liabilities payable to DOT towards pension contribution on MTNL, so as to have a prudent method, on conservative basis, MTNL has adopted the method of valuation as per AS-15 (Revised) through actuarial valuation for defined benefit plan of Central Govt. Pension Scheme and the provision is kept separately in the books. The necessary adjustments will be made in the books on finalization of modalities.

21. Certain works have been carried out for defence network in respect of Alternate Communication System. In respect of usage of the same in Mumbai unit ₹338.30 million has been received at Corporate Office. Out of this ₹59.82 million has been decapitalised in 2011-12 accounts and ATD sent to Corporate Office. The AT for the balance amount of ₹278.48 million has been received from Corporate Office in 2012-13. Out of this amount ₹18.98 million has been decapitalised in 2012-13, ₹32.33 million has been reduced from prior period expenses. Balance amount of ₹227.17 million is relating to revenue for usage of the ducts. The work was completed in March-2011, the revenue is to be spread over a period of 18 years which is the life considered for depreciation of Cables. During the year ₹25.24 million has been booked as income and balance of ₹201.93 million is taken as unearned revenue to be recognised as income in the next 16 years.However the accounting is under review at corporate level.This being the revenue pertaining to usage of MTNL ducts etc. by defence the issue is taken up with D.O.T. for payment of annual charges to MTNL and pending decision on this , no revenue is booked for the period from 1-4-2010 to 31-3-2013 and pending finality on the issue the accounting treatment at Mumbai unit is not changed.

22. In both units, Delhi Unit & Mumbai Unit, CDMA exchanges of 100K & 50K have been decommissioned by the management during financial year 2008-09. The liability on this project amounting to ₹736.20 millions (includes 13973820 US dollars) lying in the books for more than three years and not paid to vendors due to issue arising out of contract agreement, is not written back in view of pending arbitration case filed by vendor.

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

24. The amount of receivables and payables (including NLD / ILD Roaming operators) is subject to confirmation and reconciliation. Pending such confirmation/ reconciliation, the impact on the account is not ascertainable at this stage.

25. In respect of Delhi Unit, Certain claims in respect of damaged/lost fixed assets and inventory has been lodged with Insurance Companies and accordingly gross block, accumulated depreciation and value of inventory have been withdrawn in the respective years pending settlement of the claim. The claims are still pending with insurance company. The final adjustment in respect of difference between amount claimed and assets withdrawn will be made in the year of settlement of claim.

26. There is no agreement between the Company and DOT for interest recoverable/Payable on current account. Accordingly, no provision has been made for interest payable/receivable on balances during the year except charging of interest on GPF claims receivable from DOT.

27. Vacant Land and Guest Houses are valued at original value for the purpose of wealth tax provisions.

28. The company has incurred a loss of ₹53211.23 million during the year under report and as a result thereof the net worth has become negative. The company has moved the case for reference to BRPSE(Board for Reconstruction of Public Sector Enterprises) seeking revival. The company has also moved proposals for refund of one time spectrum fees paid in 2010 towards BWA spectrum to the tune of ₹45370 million with interest to the extent of ₹14960 million, support of govt. for VRS of 19000 employees and approval for monetization of MTNL land. All these cases are in an advanced stage of govt. approvals and are likely to be settled in the coming months. Besides, the settlement of pension payment through Govt. trust in 2013 -14 also would reduce the liability on MTNL very drastically as the annual pension out go around ₹ 5000 million would be met by Govt. pension trust and the actuarial liability of around ₹ 20000 million also comes down to annual contribution to trust as per Fundamental Rule 116. All these actions being actively considered by Govt. could neutralize the negative net worth. As at the balance sheet while preparing financial statements, management has made an assessment of an entity's ability to continue as an on going concern taking into account all these facts and also into the fact that these approvals are in active consideration of Govt. and also that out of expected sovereign guarantee cover of ₹ 80000 million. MTNL has already got ₹ 10050 million in 2012-13 and expects to raise balance bonds in 2013-14 to steer out of the negative net worth.

29. In case of Delhi Unit a sum of ₹91.25 million (₹91.25 million) accounted for as income in financial year 2007-08 being ADCC recoverable from Project Development Company (PDC) towards development of Core knowledge park at Noida is still to be recovered and interest there on for the current period is not accounted for as the issue of funding of the project by MTNL is raised by the PDC and pending decision by corporate management and also as there is no explicit agreement for interest as such no interest income has been accounted for. Out of ₹91.25 million, ₹60.00 million are secured against Bank Guarantee and for rest amount of ₹ 31.25 millions, a provision has been made in year 2012-13.

30.(a) In respect of Mobile Services Delhi, a sum of ₹ 258.94 Million (₹ 258.94 Million) claimed by TCL for ILD charges for the period Oct-09 to March-10 has not been paid due to heavy spurt in ILD traffic towards M/S TCL. On technical analysis it was found that these calls were made to some dubious

and tiny destination. These destinations do not confirm to international numbering plan of the respective countries and are not approved destinations as per approved interconnect agreement. Further these calls have not got physically terminated to the destinations. The observations were shared with M/S TCL. M/S TCL has also been advised that the balance which relates to fraudulent calls is not payable and accordingly no provision has been made in the books of accounts. However the units have shown the above as contingent liability. The matter has been handed over to committee for investigation.

(b) The fire accident claim in respect of data centre at CGO Complex Delhi for Rs.40 million is already lodged with Insurance Company and is pending for settlement for full claim as major element of claims is for software which is not excluded from the courage of insurance. The insurance company's contentions to the contrary are under challenge with IRDA and subsequently in the current year the insurance company has come up with a proposal to settle the case for ₹ 27 million which is not acceptable since MTNL is demanding the full payment.

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

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

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

(b) Expenditure in Foreign Currency

(i)	Professional & Consultancy Fees	= ₹1.25 million (₹7.51 million)
(ii)	Travel	= ₹0.30 million (₹1.20 million)
(iii)	Others	= ₹29.24 million (₹27.60 million)

(c) Earning in Foreign Exchange(roaming) = ₹39.50 million (₹57.90 million)

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

32.(a) In case of Delhi Unit ₹4.83 millions is outstanding against Micro, Small and Medium enterprise as defined in the Micro, Small and Medium enterprise development Act, 2006, to whom the company owes dues as at 31.3.2013. No interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.

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

a) Defined Contribution Plans **(₹ In Millions)**

	Particulars	**2012-13**	**2011-12**
(1)	Principal amount due and remained unpaid	4.83	NIL
(II)	Interest due on above and unpaid interest	NIL	NIL
(III)	Interest Paid	NIL	NIL

(IV) Payment made beyond the appointed day during the year	NIL	NIL
(V) Interest due and payable for the period of Delay	NIL	NIL
(VI) Interest accrued and remaining unpaid	NIL	NIL
(VII) Amount of futher interst remaining due And payable in the succeeding year	NIL	NIL

33. Employee Benefits -AS-15(R)

I. During the year, the Company has recognized the following amounts in the Profit and loss Account.

a) Defined Contribution Plans **(₹ In Millions)**

Particulars	**2012-13**	**2011-12**
	Amounts	
Employer Contribution to Provident Fund*	652.09	521.48
Leave Encashment Contribution for DOT employees**	19.19	14.46
Pension Contribution for DOT employees***	10.59	165.48

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

b) Defined Benefit Plans **(₹ In Millions)**

Particulars	**Gratuity**	**Pension****	**Gratuity**	**Pension****
	2012-13		**2011-12**	
Current Service Cost	613.23	2263.04	563.15	3451.60
Interest Cost	1119.80	6414.11	1033.56	5638.04
Expected Return on Plan Assets	(1039.62)	--	(899.83)	--
Actuarial(gain)/loss on Plan assets	(710.07)	17786.70	284.14	6669.36
Past Service Cost	--	--	--	--
Curtailment and Settlement Cost/(Credit)	--	--	--	--
Net Cost	**(16.66)**	**26463.85**	**981.02**	**15759.00**
Benefits paid during the year	(1227.97)	(3893.72)	(953.44)	(3311.76)

*Mentioned as Gratuity for company employees as well as absorbed employees of DOT.

**Mentioned as Pension Contribution-Company employees.

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

	2012-13		2011-12	
Particulars	**Gratuity**	**Pension**	**Gratuity**	**Pension**
Discount Rate	8.12%	8.12%	8.50%	8.50%
Salary/pension Escalation	3.50%	3.50%	3.50%	3.50%
Future DA increase	4.00%	4.00%	4.00%	4.00%

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

a) Benefit obligations. **(₹ In Millions)**

Particulars	**Gratuity**	**Pension**	**Gratuity**	**Pension**
	2012-13		**2011-12**	
Projected benefit obligation at beginning of the year	13790.64	78991.46	12073.10	66544.21
Interest Cost	1119.80	6414.11	1033.56	5638.04
Current Service Cost	613.23	2263.04	563.15	3451.60
Past Service Cost	--	--	--	--
Benefit Paid	(1227.97)	(3893.72)	(950.85)	(3311.76)
Actuarial (Gain)/loss on obligations	(113.97)	17786.70	1071.68	6669.36
Projected benefit obligation at end of the year	14181.74	101561.59	13790.64	78991.46

b) Plan Assets **(₹ In Millions)**

Particulars	**Gratuity**	
	2012-13	**2011-12**
Fair Value of plan assets at beginning of year	12995.26	11187.90
Expected Return on Plan Assets	1039.62	899.83
Contributions	952.52	1070.84
Benefit Paid	(1227.97)	(950.85)
Actuarial gain/(loss) on Plan Assets	596.11	787.54
Fair Value of Plan Assets at the end of the year	14355.54*	12995.26
Actual return on plan assets	1635.72	1687.37
Total expenses recognized during the year	(16.66)	981.02

*excludes ₹490.20 millions (₹952.52 million) receivable from MTNL by trust in 2011-12) payable to MTNL & includes ₹2609.13 million (₹2609.13 million) towards recoverable from DOT as one time settlement of Gratuity towards retirement benefit on absorption of employees.

IV. Category of Investment in Gratuity trust as on 31.03.2013.

	(₹ In Millions)
Particulars	**Amounts**
Government of India Securities	3568.03 (3568.03)
Corporate Bonds	4440.13 (4445.24)
State Govt. Securities	2676.98 (1913.55)
Others	3670.40 (3068.44)
Total	**14355.54*(12995.26)**

* excludes ₹490.20 millions (₹952.52 million receivable from MTNL by trust in 2011-12) payable to MTNL & includes ₹2609.13 million (₹2609.13 million) towards recoverable from DOT as one time settlement of Gratuity towards retirement benefit on absorption.

V. Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities we have use Mortality: 1994-96 LIC Ultimate table for mortality in service and LIC (1996-98) table for mortality in retirement.

VI. Mortality in service is assumed on the basis of LIC (1994-96) Ultimate and mortality in retirement is based on LIC (1996-98) table.

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

35. Information regarding Primary Business Segments: - AS - 17

S.No.	Particulars	Year Ended 31.3.2013 (Audited)	Year Ended 31.3.2012 (Audited)
1.	**Revenue from Operations**		
	Basic & other Services	26961.09	26682.95
	Cellular	7593.17	7310.16
	Unallocable	0.00	(0.69)
	Total	**34554.26**	**33992.41**
	Less: Inter Unit Income	267.63	259.88
	Net Revenue from Operations	**34286.63**	**33732.53**
2.	**Segment result before finance cost and tax**		
	Basic & other Services	(31367.78)	(22532.11)
	Cellular	(4797.60)	(6197.34)
	Unallocable	(5655.20)	(2946.85)
	Total	**(41820.58)**	**(31676.30)**
	Add: Interest Income	605.79	720.25
	Less: Finance cost	11802.60	9,491.62
	Less: Prior period items	193.84	650.18
	Profit before tax	**(53211.23)**	**(41,097.84)**
	Less: Provision for Current & Deferred tax	-	-
	Less: Taxes for earlier period(s) written back/paid	-	285.38
	Profit after tax	**(53211.23)**	**(41,097.84)**
3.	**Capital Employed**		
	(Segment Assets - Segment Liabilities)		
	Basic & other Services	(42574.37)	(13,615.11)
	Cellular	59658.89	63,832.76
	Unallocable	(44928.78)	(24,850.68)
	Total	**(27844.26)**	**25,366.97**

Note:-

1. The company has disclosed Business Segment as the Primary Segment. Segments have been identified taking into account the nature of the services, the deferring risks and returns, the organizational structure and internal reporting system.
2. The company caters mainly to the needs of the two metro cities viz. Delhi and Mumbai, wherein the risk and return are not different to each other. As such there are no reportable geographical segments.

3. Segment Revenue, Segment Result, Segment Asset and Segment Liabilities include the respective amount identifiable to each of the segments. The expenses, which are not directly relatable to the business segment, are shown as unallocable corporate assets and liabilities respectively.

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

36. Related Parties Disclosure under AS-18

a) List of Related Parties and Relationships

Party	Relation
Department of Telecommunications	Holding 56.25% shares of the Company
Millennium Telecom Limited	Wholly owned Subsidiary
Mahanagar Telecom Mauritius Ltd.	Wholly owned Subsidiary
United Telecom Limited	Joint Venture
MTNL STPI IT Services Ltd.	Joint Venture

b) Key Management Personnel

Mr. A.K. Garg	C.M.D.
Mrs. Anita Soni	Director (Finance)
Mr. B K Mittal	Executive Director, Delhi
Mr. Peeyush Aggarwal	Executive Director, Mumbai
Mr. D P Singh	CGM, WS

b) Related Party Transactions **(₹ In Millions)**

(Except DOT)

Transactions	Subsidiary	Joint Venture	Key Management Personnel
Guarantees	-	-	-
Unsecured Loan	-	NIL	NIL
Remuneration Paid	-	-	11.39 (7.63)
Loans & Advances	37.17 (26.81)	2.79 (2.73)	-

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

I)	Profit after Tax	₹ (53211.23) Millions
2)	Number of Shares	630 Millions
3)	Nominal value of shares	₹ 10/-
4)	Basic/ diluted EPS	₹ (84.46)

38. During the year no provision has been made for any loss on account of impairment of assets under Accounting Standard 28 as there is no indication of any impairment of assets of the Company, on the basis of the company as a whole as a CGU.

39. Consolidated Financial Statements - AS-21 & AS-27

The financial statements of Millennium Telecom Limited & Mahanagar Telephone Mauritius Limited (wholly owned subsidiaries of the Company) and United Telecom Limited & MTNL STPI IT Services Limited (Joint Ventures) are consolidated in accordance with the Accounting Standard - 21 and Accounting Standard - 27 respectively.

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

(₹in million)

Name of JV & Subsidiary	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	147.60	170.19	(22.59)	339.22	339.22
MTNL STPI IT Services Ltd.	18.36	17.11	1.25	25.46	25.46
Millinium Telecom Limited	2.01	4.03	(2.02)	62.46	62.46
Mahanagar Telecom Mauritius Limited	522.35	510.79	11.56	1545.13	1545.13
Total	690.32	702.12	(11.80)	1972.27	1972.27

40. Based on expert opinion, the company has not been deducting tax deducted at source for IUC services rendered by BSNL. Besides, liability provided on account of pension contribution expenditure on the basis of actuarial valuation is considered as an allowable expenditure based on expert opinion.

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

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

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

43. In view of losses, Debenture Redemption Reserve has not been created for the financial year 2012-13 in respect of 8.57% Redeemable Non-Convertible Debentures (in the form of Bonds).

44. In respect of Delhi unit out of the amount of ₹2850 millions accounted for as income from CW games in 2010-11 an amount of ₹ 430 milloins is yet to be paid. The services rendered by MTNL as per the demand

of Organising Committee of CWG and sports ministry are to be paid and are under correspondence with the authorities concerned for payment .

45. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.

Sd/-	Sd/-	Sd/-	Sd/-
(S.R. Sayal)	**(K A Sarma)**	**(Anita Soni)**	**(A.K. Garg)**
Company Secretary	**DGM(A/cs)**	**Director (Fin.)**	**Chairman & Managing Director**

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

Sd/-
Vipul Girotra
(Partner)
Membership No. 084312

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

Sd/-
Arun Agarwal
(Partner)
Membership No. 082899

Place : New Delhi

Date : 30/5/2013

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Cash Flow Statement for the year ended 31st March 2013

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

		2012-13 (₹in Million)	2011-12 (₹ in Million)
A.	**Cash Flow from Operating Activities**		
	Net profit/ (loss) before Tax	**(53,017.40)**	**(40,447.66)**
	Adjustment for:		
	Prior period adjustment (net)	(38.64)	(502.81)
	Profit on sale of fixed assets	(42.04)	(35.97)
	Loss on sale of fixed assets	50.53	181.82
	Depreciation & Amortisation	14,769.42	14,962.15
	Finance Cost	11,802.60	9,491.62
	Interest Income	(605.79)	(720.25)
	Operating cash profit/ (loss) before working capital changes	**(27,081.32)**	**(17,071.11)**
	Adjustment for:		
	Trade and other receivables	(5,984.09)	(4,150.97)
	Inventories	186.08	249.19
	Trade and other payables	28,759.75	13,383.35
	Cash generated from operations	(4,119.57)	(7,589.54)
	Direct Taxes paid/adjusted (Net)	377.08	47.35
	Net Cash Flow from Operating Activities	**(3,742.49)**	**(7,542.19)**
B.	**Cash Flow from Investing Activities**		
	Purchase of fixed assets (including Capital WIP)	(6,727.25)	(8,251.20)
	Sale of fixed assets	51.60	1,192.59
	Interest received	866.14	1,190.09
	Investments	2,500.00	26.79
	Net Cash Flow from Investing Activities	**(3,309.51)**	**(5,841.73)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from borrowings	18,911.94	21,918.19
	Finance Charges (including interest) paid	(11,629.37)	(9,067.35)
	Net Cash Flow from Financing Activities	**7,282.57**	**12,850.84**
D.	**Net Increase/ (Decrease) in Cash and Cash Equivalent**	**230.56**	**(533.08)**
	Cash and Cash equivalent as at the beginning of the year	868.33	1,401.41
	Cash and cash equivalent as at the end of the year	**1,098.89**	**868.33**
	Cash and cash equivalent as at the end of year represented by		
	Cash in hand (including cheques/drafts in hand)	79.37	58.24
	Balance with bank in current account (net of provisions)	986.93	809.20
	Balance with bank in Fixed Deposit account	32.59	0.89
	TOTAL	**1,098.89**	**868.33**

Note:

Previous year figures have been regrouped/rearranged wherever necessary

For V.K. Dhingra & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(K.A. Sarma)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Vipul Gupta)	**(Arun Agarwal)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing
M.No. 084312	M.No. 082899	Finance	Director

Place : New Delhi

Date : 30th May, 2013

MTNL

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INDEPENDENT AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To,

The Board of Directors

Mahanagar Telephone Nigam Limited.

We have audited the accompanying consolidated financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED** ("the Company"), its subsidiary and joint ventures, which comprise the Consolidated Balance Sheet as at 31st March, 2013, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with the accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatements, whether due to fraud or error.

Auditor`s Responsibility

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

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

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

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

Basis for Adverse Opinion

(i) The company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹ 19752.26 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding each other's claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated financial statements of the company. (Also refer point no.12 of note no.36A to the consolidated financial statements).

(ii) The company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 34427.11 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated financial statements of the company. (Also refer point no.16 of note no. 36A to the consolidated financial statements).

(iii) Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of ₹ 1403.63 million instead of actual liability resulting in understatement of current liabilities and losses to that extent. (Also refer point no.17 of note no. 36A to the consolidated financial statements).

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

(v) No adjustment has been considered on account of impairment loss during the year, with reference to AS-28 "Impairment of Assets" issued under Companies (Accounting Standards) Rules, 2006. In view of continuous losses over the years resulting into full erosion of net worth of the company and 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 loss and also the carrying value of the cash generating units. (Also refer point no. 39 of note no.36A to the consolidated financial statements).

(vi) Provision for actuarial liability on account of medical expenses for retired employees and continuing employees has not been worked out and provided for as required under AS-15 "Employee Benefits" issued under Companies (Accounting Standards) Rules, 2006. Instead annual insurance premium for the policy taken by the company for this purpose is charged to consolidated statement of profit and loss. In the absence of actuarial valuation as on 31.03.2013, we are not in a position to ascertain and quantify the impact thereof on the consolidated financial statement. (Also refer point no. 35 of note no. 36A to the consolidated financial statements).

(vii) Insurance claim for the fire loss in Data Center in July, 2009 amounting to ₹ 40 Million has been considered good. However, insurance company has disputed the claim and has informed the company to consider only the part of the claim which is not accepted by the Company.

As the dispute is still pending, we are not in a position to comment on the appropriateness of the claim recoverable being considered as good and the ultimate recovery of the same in full. Pending final outcome of the dispute, the impact thereof on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no. 31(b) of note no.36A to the consolidated financial statements).

(viii) To work out the liability towards wealth tax, vacant land and guest houses/inspection quarters are taken at their book values instead of valuation the same as per Wealth Tax

Act / Rules resulting into understatement of losses resulting from lower wealth tax and also corresponding understatements of liabilities. In the absence of valuation as at the year end, we are not in a position to ascertain and quantify the impact thereof on consolidated financial statements. (Also refer point no. 28 of note no. 36A to the consolidated financial statements).

(ix) Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated financial statements is not ascertainable and quantifiable. (Also refer point no. 25 of note no. 36A to the consolidated financial statements).

(x) Dues from the operators are not taken into account for making provision for doubtful debts. Also no provision for doubtful debts is made for disputed cases outstanding for less than 3 years in Basic and for less than 6 months in GSM/CDMA. In the absence of any working, the impact thereof on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no. 1(ii)(b) of note no.1A to the consolidated financial statements).

(xi) (a) In Delhi Unit, reconciliation of balances of customer's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated financial statements cannot be ascertained and quantified at present. (Also refer point no. 16(b) of note no. 36A to the consolidated financial statements).

(b) Unlinked credit of ₹ 420.30 million on account of receipts from subscribers against billing by the company which could not be matched with corresponding receivables are appearing as liabilities in the consolidated balance sheet. To that extent, both assets and liabilities are overstated. (Also refer point no. 16(f) of note no. 36A to the consolidated financial statements).

(c) The aggregate balance of sundry debtors as per the ageing summary in subsidiary records is lower by ₹ 73.83 million as compared to the balance in general ledger and is under reconciliation. The same has been provided for. Pending reconciliation, the impact of the same on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no. 16(g) of note no. 36A to the consolidated financial statements).

(xii) In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending. Pending such reconciliation, the impact of the same on the consolidated financial statements cannot be ascertained and quantified. (Also refer point no.43 of note no.36A to the consolidated financial statements).

(xiii) Fixed assets are generally capitalized on the basis of completion certificates issued by the engineering department. Due to delays in issuance of the completion certificates, there are cases where capitalization of the fixed assets gets deferred to next year. The resultant impact of the same on the consolidated statement of profit and loss by way of depreciation and amount of fixed assets capitalized in the consolidated balance sheet cannot be ascertained.

(xiv) Out of ₹ 2850 million on account of wet lease of infrastructure and other services provided in respect of Commonwealth Games and accounted for in 2010-11, a sum of ₹ 430 million remains unrecovered and unconfirmed. Also the said amount of ₹ 430 million is yet to be approved by the concerned authorities. Pending confirmation, approval or any other document from the concerned authorities to substantiate the claim of the company, the recoverability of the amount outstanding is not certain. The company continues to treat the said amount as good for recovery and no provision for doubtful debts has been made for the same. To that extent, loss is understated and current assets are overstated. (Also refer point no. 45 of note no.36A to the consolidated financial statements).

(xv) Pending reconciliation of Income from recharge coupons/ITC cards/prepaid calling cards and stock of such coupons/cards, the impact thereof on the consolidated financial statements cannot be ascertained and quantified.

(xvi) On material exchanged with BSNL on barter basis, VAT liability has not been ascertained and provided for. In the absence of detailed information, we are not in a position to comment on the likely impact of the same on the consolidated financial statements of the company.

(xvii) The company had invested ₹1000 million in 8.75% Cumulative Preference Shares of M/S. ITI Limited during the year 2001-02. As per the terms of allotment, the said preference shares were to be redeemed in five equal installments. As per letter no.

U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the said preference shares was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. has failed to meet its rescheduled obligation in respect of first installment of ₹ 200 million payable in 2012-13. Since M/s. ITI Ltd. has not complied with even rescheduled commitments, the company has made a provision for the first installment of ₹ 200 million only instead of providing for full investment of ₹1000 million. This has resulted into understatements of losses by ₹. 800 million and overstatement of non current investments by ₹600 million and also overstatement of current investments by ₹ 200 million. (Also refer point no. 15 of note no. 36A to the consolidated financial statements).

(xviii) Certain works were carried out in earlier years by Mumbai Unit for Defence Network of Govt. of India in respect of alternate communication system. In context of the same following explanations has been given to us:-

"In respect of usage of the same ₹ 338.3 million has been received at Corporate Office. Out of this ₹ 59.82 million has been decapitalised in 2011-12 accounts and ATD sent to Corporate Office. The AT for the balance amount of ₹ 278.48 million has been received from Corporate Office in 2012-13. Out of this amount ₹18.98 million has been decapitalised in 2012-13, ₹32.33 million has been reduced from prior period expenses. Balance amount of ₹227.17 million is relating to revenue for usage of the ducts. The work was completed in March-2011, the revenue is to be spread over a period of 18 years which is the life considered for depreciation of Cables. During the year ₹25.24 million has been booked as income and balance of ₹ 201.93 million is taken as unearned revenue to be recognised as income in the next 16 years."

In the absence of any agreement / documentary evidence / third party confirmation in respect of aforesaid accounting treatment / adjustments, we are not in a position to comment on the correctness or otherwise of such accounting treatment. (Also refer point no. 22 of note no. 36A to the consolidated financial statements).

(xix) Certain Land and Buildings were transferred to MTNL from DOT in earlier years. The company continues to reflect these assets as leasehold. In the absence of relevant records, we are not in a position to comment on the classification of the same as leasehold and also the consequential impacts, if any, of such classification not backed by relevant records. In the absence of relevant records, impact of such classification on the consolidated financial statements cannot be ascertained and quantified.

(xx) During the year Department of Telecommunication (DOT)has raised a demand of ₹ 33131.50 million 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 will need revision by ₹ 1074.40 million on account of rectification of actual usage.

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

In view of the above we are not in a position to comment on the correctness of the stand taken by the company and the ultimate implications of the same on the consolidated financial statements of the company. (Also refer point no. 42 of note no.36A to the consolidated financial statements).

(xxi) Segment Assets and Segment Liabilities in respect of primary segment have not been ascertained and disclosed by the company. In the absence of required information, we are not in a position to ascertain and quantify the impact of the same on segment results. (Also refer point no. 36 of note no.36A to the consolidated financial statements).

In the absence of information, the effect of which cannot be quantified, we are unable to comment on the possible impact of the items stated in the point nos.(i), (ii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi)(a)&(c), (xii), (xiii),(xv), (xvi), (xviii), (xix), (xx) and (xxi) on the consolidated financial statements of the company for the year ended on 31st March 2013.

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),(xi)(b),(xiv) and (xvii) been considered in the consolidated financial statements, loss for the year would have been ₹55856.66 million as against the reported figure of ₹53223.03 million in the consolidated Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 3619.54 million as against the reported figure of ₹4039.84 million, Short Term Loans and Advances under the head Current Assets would have been ₹7256.61 million as against the reported figure of ₹ 7686.61 million, Non Current Investments and Current Investments would have been ₹Nil million and ₹nil million as against the reported figures of ₹ 600 million and ₹ 200 million respectively, Other Current Liabilities would have been ₹30000.27 million as against the reported figure of ₹29016.94 million in the consolidated Balance Sheet.

Qualified Opinion

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

a) in the case of Consolidated Balance Sheet, of the state of affairs of the Company as at march 31, 2013;

b) in the case of Consolidated Statement of Profit and Loss, of the loss for the year ended that date; and

c) in case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matters

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

(i) Point no.29 of note no.36A to the consolidated financial statements regarding preparation of consolidated financial statements on Going Concern basis in spite of the negative net worth of the company as on 31st March, 2013.

(ii) Point no. 21(e) of note no.36A to the consolidated financial statements regarding the issue of pension liability on account of absorbed employees yet to be settled with the DOT.

(iii) Point no.23 of note no.36A to the consolidated financial statements regarding retaining of outstanding liability of ₹ 736.20 million on account of decommissioned assets pending arbitration case.

(iv) Point no.24 of note no.36A to the consolidated financial statements regarding non provision of diminution in the value of investments in joint ventures/subsidiary as these diminution are considered temporary in nature.

(v) Point no.7(a) of note no.36A to the consolidated financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the company with reference to pending dispute with the Income Tax Department at High Court level with reference to deduction claimed by the company u/s 80 IA of the Income Tax Act,1961.

(vi) Point no. 7(b) of note no.36A to the consolidated financial statements regarding pending appeal effect by income tax authorities of ₹ 1015.43 million pertaining to financial year 1999-00.

(vii) Point no.7(c) of note no.36A to the consolidated financial statements regarding non reconciliation of advance tax, provisions for tax and interest on income tax refunds with the tax records of the company.

(viii) Point no. 9(b) of note no.36A to the consolidated financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(ix) Point no. 41 of note no.36A to the consolidated financial statements regarding non deduction of tax at source for IUC services rendered by BSNL based on the expert opinion taken by the company.

(x) Classification of trade receivables as unsecured without considering the security deposit which the company has received from the subscribers. (Also refer note no.19A to the consolidated financial statements).

(xi) Amount receivable from BSNL has been reflected as loans and advances instead of bifurcating the same into trade receivables and other receivables. (Also refer note no.16A to the consolidated financial statements).

(xii) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Schedule VI of the Companies Act, 1956 has not been made by the company in the consolidated financial statements.

(xiii) Point no. 16(d) of note no.36A to the consolidated financial statements regarding impact if any, arising out of reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS) in Mumbai Unit.

(xiv) Point no. 16(e) of note no.36A to the consolidated financial statements regarding impact if any, arising out of reconciliation of Balance outstanding under refund due to subscribers account with actual amount due for refund in Mumbai Unit.

Other matters

We did not audit the financial statements of Mahanagar Telephone (Mauritius) Limited, a subsidiary of the company whose financial statements reflect total assets (net) of ₹ 1545.13 million as at 31st March, 2013, total revenues of ₹ 522.35 million and net cash flows amounting to ₹ (273.11) million for the year ended on that date as considered in the consolidated financial statements. These financial statements have been audited by other auditor whose reports has been furnished to us and our opinion, in so far as it relates to the amounts included in respect of this subsidiary, is based solely on the reports of the other auditor.

We did not audit the financial statements of Millennium Telecom Limited a subsidiary of the company, MTNL STPI IT Service Limited, and United Telecom Limited, the joint venture's of the company whose financial statements reflect total assets (net) of ₹ 427.14 million as at 31st March, 2013, total revenues of ₹ 167.97 million and net cash flows amounting to ₹ (18.24) million for the year ended on that date as considered in the consolidated financial statements. These financial statements have not been audited by us or by other auditors. The financial statements of subsidiary and joint ventures have been incorporated as certified by the

management. Our opinion, in so far as it relates to the amounts included in respect of these subsidiary and joint ventures, is based solely on the certification of management.

For Arun K. Aggarwal & Associates
Chartered Accountants
FRN – 003917N

sd/-

(Arun Agarwal)
(Partner)
(Mem. No. 082899)

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

sd/-

(Vipul Girotra)
(Partner)
(Mem. No. 084312)

Place: New Delhi
Date: MAY 30, 2013

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2013

	Note No.	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	**2A**	6,300.00	6,300.00
Reserves & Surplus	**3A**	(34,181.32)	19,041.70
NON - CURRENT LIABILITIES			
Long Term Borrowings	**4A**	69,373.50	70,000.00
Deferred Tax Liabilities (Net)		17.88	24.91
Other Long Term Liabilities	**5A**	31,419.08	29,350.43
Long Term Provisions	**6A**	107,728.29	82,047.80
CURRENT LIABILITIES			
Short Term Borrowings	**7A**	46,049.49	26,483.69
Trade Payables	**8A**	2,312.57	2,666.22
Other Current Liabilities	**9A**	29,016.94	26,329.12
Short Term Provisions	**10A**	5,965.65	7,134.88
	Total	**264,002.08**	**269,378.75**
ASSETS			
Non - Current Assets			
Fixed Assets			
(A) Tangible Assets	11A	68,162.33	69,987.35
(B) Intangible Assets	12A	82,068.78	88,424.87
(C) Capital Work In Progress	13A	9,493.56	9,127.47
Non Current Investments	14A	600.00	800.00
Long Term Loans And Advances	15A	49,378.20	49,351.98
Other Non Current Assets	16A	37,043.44	31,704.43
Current Assets			
Current Investments	17A	200.00	2,700.00
Inventories	18A	836.29	1,024.95
Trade Receivables	19A	4,039.84	3,496.43
Cash & Cash Equivalents	20A	1,280.82	1,341.27
Short Term Loans & Advances	21A	7,686.61	6,011.97
Other Current Assets	22A	3,212.21	5,408.04
	Total	**264,002.08**	**269,378.75**
Significant Accounting Policies	**1A**		

See accompanying notes to the financial statements

In terms of our report of even date attached.

For and on behalf of Board

		sd-	sd-
For V.K. Dhingra & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(K.A. Sarma)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Vipul Gupta)	**(Arun Agarwal)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing
M.No. 084312	M.No. 082899	(Finance)	Director

Place : New Delhi

Date : 30th May, 2013

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Statement of Consolidated Profit and Loss for the year ended 31st March, 2013

	Note No.	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
REVENUE			
Net Revenue From Operations	**23A**	34,964.26	34,415.28
Other Income	**24A**	2,866.89	2,535.08
	Total Revenue	**37,831.15**	**36,950.36**
EXPENSES			
Employee Benefits	25A	49,044.73	37,144.19
Revenue Sharing	26A	4,576.80	4,689.09
Licence Fees	27A	2,514.61	2,426.82
Administrative, Operative And Other Expenses	28A	7,953.21	8,467.16
Depreciation & Amortisation	29A	14,966.49	15,105.28
Finance Cost	30A	11,808.68	9,499.85
	Total Expenses	**90,864.53**	**77,332.40**
Profit/(Loss) Before Exceptional, Prior Period Items & Tax		**(53,033.38)**	**(40,382.04)**
Exceptional Items	**35A**	2.26	2.26
Profit/(Loss) Before Prior Period Items & Tax		**(53,035.64)**	**(40,384.31)**
Tax Expenses:	**31A**		
Current Tax		0.40	13.07
Deferred Tax		(7.02)	(6.43)
Taxes of Earlier Period Paid/ Written Back		-	0.37
Profit/(Loss) Before Prior Period Items But After Tax		**(53,029.02)**	**(40,391.32)**
Prior Period Items	**32A**	194.01	650.18
Profit/(Loss) For The Period		**(53,223.03)**	**(41,041.50)**
Earning/ (Loss) Per Equity Share	**33A**		
(1) Basic (Rs.)		(84.48)	(65.15)
(2) Diluted (Rs.)		(84.48)	(65.15)

See accompanying notes to the financial statemens

In terms of our report of even date attached.

For and on behalf of Board

		sd/-	sd/-
For V.K. Dhingra & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(K.A. Sarma)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Vipul Gupta)	**(Arun Agarwal)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing
M.No. 084312	M.No. 082899	(Finance)	Director

Place : New Delhi

Date : 30th May, 2013

Note 1A : SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

i. The accounts are prepared under the historical cost convention on accrual method of accounting except the following items, which are accounted for on cash basis:

(a) Interest income/liquidated damages, where realisability is uncertain.

(b) Annual recurring charges of amount up to ₹ 0.10 Millions each for overlapping period.

ii. Revenue Recognition

(a) Revenue is recognized on accrual basis, including income from subscribers whose disputes are pending resolution, and closure of the subscribers' line. Revenue in respect of service connection is recognized when recoverability is established.

(b) Provision is made for wrong billing, disputed claims from subscribers (excluding operators covered under the agreements related to IUC/Roaming/MOU), cases involving suspension of revenue realization due to proceedings in Court and debtors outstanding for more than 3 years. In respect of closed connections provision is made for outstanding for more than 3 years along with spillover amount less than 3 years. In case of Wireless Services (GSM & CDMA), the provision is made for dues, which are more than 180 days.

(c) Activation charges recovered from the subscribers at the time of new telephone connection is recognized as income in the year of connection.

(d) Activation charges in case of Mobile Services (GSM) is recognized as revenue on connection.

(e) Income from services includes income from leasing of infrastructure to other service providers.

iii. The cost of stores and materials is charged to project or revenue job at the time of issue. However, spill over items at the end of the year lying at various stores are valued at weighted average method.

iv. The sale proceeds of scrap arising from maintenance & project works are taken into miscellaneous income in the year of sale.

v. Bonus/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly subject to the profitability of the company.

vi. Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure, only cases involving sums exceeding ₹ 0.10 Millions are disclosed as prior period items.

1.1 Employee Retirement Benefits

a) In respect of officials who are on deemed deputation from DOT and other Govt. Departments, the provision for pension contribution is provided at the rates specified in Appendix 2(A) to FR 116 and 117 of FR. & SR. and provision for leave encashment is made @ 11% of pay as specified in appendix 2(B) of F.R.116 and 117 of F.R. & S.R. Provision of gratuity, in respect of these officers, is not required to be made.

b) In respect of others, provision is made as per Actuarial Valuation except for post retirement medical benefits for which insurance policy is taken periodically.

2. Fixed Assets & Depreciation

i. Fixed Assets are carried at cost less accumulated depreciation. Cost includes directly related establishment expenses including employee remuneration and benefits and other administrative expenses. Establishment overheads and expenses incurred in units where project work is also undertaken are allocated to capital and revenue based either on time allocated or other attributable basis. Assets are capitalized, as per the practices described below, to the extent completion certificates have been issued, wherever applicable.

(a) Land is capitalized when possession of the land is taken. Value of Leasehold Land is amortized over the period of lease.

(b) Building is capitalized to the extent it is ready for use.

(c) Apparatus & Plants principally consisting of Telephone Exchange Equipments and Air Conditioning Plants are capitalized on commissioning of the exchange. Subscribers Installations are capitalized as and when the exchange is commissioned and put to use either in full or in part.

(d) Lines & Wires are capitalized as and when laid or erected to the extent completion certificates have been issued.

(e) Cables are capitalized as and when ready for connection with the main system.

(f) Vehicles and Other Assets are capitalized as and when purchased.

(g) Intangible assets include application software are capitalized when ready for use, entry fees for one-time payment for 3G and BWA spectrum are capitalized when the liability for the same is known and are amortized over the period for which the spectrum is provided.

ii. The fixed assets of the company are being verified by the management at reasonable intervals i.e. once in every three years by rotation. The physical verification of underground cables is done on the basis of working of network and based on records available together with a certificate from the technical officers.

iii. Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized if it results in enhancement of revenue earning capacity.

iv. Upon scrapping / decommissioning of assets, these are classified in fixed assets at the lower of Net Book Value and Net Realisable Value and the estimated loss, if any, is charged to Profit and Loss A/c.

v. Depreciation

(a) Depreciation is provided on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of Apparatus & Plant (including Air Conditioning System attached to exchanges), which is depreciated at the rates based on technical evaluation of useful life of these assets i.e. 9.5%, which is higher than the rates prescribed in Schedule XIV to the Companies Act, 1956.

(b) 100 % depreciation is charged on assets of small value in the year of purchase, other than those forming part of project, the cost of which is below ₹0.01 Millions in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹0.20 Millions for partitions.

(c) Intangible assets of entry fees for one time payment for 3G and BWA Spectrum are depreciated over the period of license respectively i.e. 20/15 years. Application software is depreciated over the useful life of the assets considered as 10 years and amortization is charged on depreciable amount accordingly. There will be no residual value at the end of the life of the assets.

3. Inventories

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

4. Foreign Currency Transactions

Transactions in foreign currency are stated at the exchange rate prevailing on the transaction date. Year-end balances of current assets and liabilities are restated at the closing exchange rates and the difference adjusted to Profit & Loss Account.

5. Investments

Current investments are carried at the lower of cost & fair market value. Long term Investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

NOTES FORMING PART OF BALANCE SHEET

NOTE 2A

Share Capital

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10/- each (80,00,00,000 Equity Shares of ₹10 each)	8,000.00	8,000.00
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each (63,00,00,000 Equity Shares of ₹10 each)	6,300.00	6,300.00
Total	**6,300.00**	**6,300.00**

Name of the Shareholder	As at 31.3.2013		As at 31.3.2012	
	No. of Shares held	% of Holding	No. of Shares held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC of India	118514713	18.81	118515213	18.81

NOTE-3A

Reserves & Surplus	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Share Premium Account		
Opening Balance	6650.05	6650.05
Addition	-	-
Deletion	-	-
Closing Balance	6650.05	6650.05
Surplus/ (Deficit)		
Opening Balance	(90,095.59)	(49,383.39)
Add: Profit during the year	12.81	58.34
Less: (Loss) during the year	(53,235.84)	(41,099.84)
Add: Transfer from Other Reserves	491.31	329.29
Closing Balance	(142,827.30)	(90,095.59)
Reserve for Contingencies*		
Opening Balance	3,948.46	4,138.30
Addition	-	-
Deletion	(491.29)	(189.85)
Closing Balance	3,457.16	3,948.45
Reserve for Research & Development		
Opening Balance	308.00	308.00
Addition	-	-
Deletion	-	-
Closing Balance	308.00	308.00
General Reserves		
Opening Balance	98,230.79	98,230.79
Addition	-	-
Deletion	-	-
Closing Balance	98230.79	98230.79
Total	**(34,181.32)**	**19,041.70**

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

NOTE - 4A

LONG TERM BORROWINGS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
(A) Secured **(a) Term Loans** **From Banks*** (Secured by floating first pari passu charge on all fixed and curent assets)	59,323.50	70,000.00
	59,323.50	70,000.00
(B) Unsecured **Debentures**** (10050 number of 8.57 % Redeemable Non Convertible Debentures (in the form of Bonds) of INR 1 million each)	10,050.00	-
	10,050.00	-
Total	**69,373.50**	**70,000.00**

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

Name of Bank	Amount outstanding (₹in million)	No. of instalments	Rate of interest
Union Bank of India	9,100.00 (10,000.00)	9 (spread over from Feb., 2014 to Feb., 2018)	Base Rate + 1.50 %
IDBI	38,500.00 (40,000.00)	16 (spread over from March, 2014 to Dec., 2017)	Base Rate + 1.40 %
Punjab National Bank	1,723.50 (10,000.00)	9 (spread over from April, 2014 to April, 2018)	Base Rate + 1.65 %
Indian Overseas Bank	10,000.00 (10,000.00)	9 (spread over from Jan., 2015 to Jan., 2019)	Base Rate + 1.15 %
TOTAL	**59,323.50** **(70,000.00)**		

**Details of Debentures issued by the Company:-

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 Redmption date being 28.03.2023. The coupon payment frequency is semi annual interest payment. There was no installment due as on Balance Sheet date.

NOTE - 5A

OTHER LONG TERM LIABILITIES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Payble to BSNL	16345.13	15205.76
Security Deposits from Customers	5815.86	5816.35
Trade Payables- Non Current	570.15	648.39
Other Long Term Liabilities	8687.94	7679.92
Total	**31,419.08**	**29,350.43**

NOTE - 6A

LONG TERM PROVISIONS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
(a) Provisions for Employee Benefits		
Pension- Company Employees	96768.16	72495.08
Leave Encashment- Company Empolyees	8346.83	6936.10
Gratuity- For DoT Period	2609.13	2609.13
(b) Other long Term Provision	4.17	7.49
Total	**107,728.29**	**82,047.80**

NOTE - 7A

SHORT TERM BORROWINGS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
A. Loans repayble on demand		
Unsecured		
(i) From Banks- Overdrafts	33,049.50	26,483.68
(ii)From Banks- Short Term Loans	13,000.00	0.00
Total	**46,049.49**	**26,483.69**

NOTE - 8A

TRADE PAYABLES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
(i) For Goods and Services	2,307.73	2,666.22
(ii) Due under MSMED Act	4.83	0.00
Total	**2,312.57**	**2,666.22**

NOTE - 9A

OTHER CURRENT LIABILITIES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Current maturities of long term debt	2400.00	0.00
Interest Accrued but not due		
(i) On security deposits	21.79	22.34
(ii) On borrowings	219.21	749.16
Interest accrued and due on borrowings	694.30	0.00
Interest accrued and due on bonds	9.44	0.00
Income received in advance	1045.49	1218.74
Other Payables		
Deposits from :		
(i) Contractors	462.15	381.91
(ii) Customers	198.23	810.87
Unclaimed Bonds	0.68	0.68
Other Liabilities		
(i) For Salary & other benefits	1,684.69	1,633.20
(ii) ExGratia/ Bonus	0.38	0.15
(iii) GPF of MTNL optee	14,844.85	13,757.91
(iv) Service Taxes & withholding Taxes Payables	2,452.13	2,391.92
(v) Advance received from customers	433.11	759.70
(vi) Gratuity- company employees	391.10	953.32
(vii) Others	1,030.12	1,267.86
Amount Payable:		
(i) To DOT	756.36	516.44
(ii) To contractors- other than goods & services	1,399.06	1,053.84
(iii) To other operators for revenue sharing (Other than BSNL)	973.84	811.08
Total	**29,016.94**	**26,329.12**

NOTE - 10A

SHORT TERM PROVISIONS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Provision for employee benefits		
Pension contribution		
(i) Company employees	4,793.43	6,496.38
(ii) Others	3.84	119.05
Leave Encashment		
(i) Company employees	1,039.48	435.07
(ii) Others	5.56	2.90
Others		
Provision for ExGratia/Bonus	-	1.44
Others	104.04	60.73
OTHERS		
Provision for Income Tax	-	1.02
Provision for Wealth tax	19.30	18.30
Total	**5965.65**	**7134.88**

NOTE - 11A TANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2012	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2013	As At 1.4.2012	For The Year	Sales/ Adjustments During The Year	As At 31.3.2013	As.at 31.3.2013	As.at 31.3.2012
LAND:											
- FREEHOLD	192.05	-	-	-	192.05	-	-	-	-	192.05	192.05
- LEASEHOLD	3,190.10	0.82	-	-	3,190.93	425.29	33.82	(0.01)	459.10	2,731.83	2,764.81
BUILDING	14,129.71	1,240.86	528.03	2.12	15,896.48	4,645.48	650.84	6.61	5,302.94	10,593.55	9,484.23
LEASED PREMISES	53.52	-	-	-	53.52	11.31	-	1.00	12.31	41.21	42.21
LINES & WIRES	1,122.49	85.85	58.54	-	1,266.87	712.64	40.32	0.83	753.79	513.09	409.84
CABLE	73,806.18	1,083.10	(12.48)	2.78	74,874.02	54,134.47	2,254.63	12.49	56,401.59	18,472.43	19,671.71
APPARATUS & PLANT	91,522.20	3,466.48	265.00	275.25	94,978.43	56,489.78	5,289.52	(668.37)	61,110.92	33,867.50	35,032.42
VEHICLES	301.88	-	(3.12)	13.06	285.70	260.22	6.75	(15.61)	251.36	34.34	41.66
FURNITURE & FIXTURES	1,508.20	34.89	(0.28)	0.05	1,542.76	1,121.44	55.95	(0.36)	1,177.03	365.73	386.76
OFFICE MACHINERY & EQUIPMENTS	388.48	3.12	(8.21)	1.08	382.30	253.63	14.12	(2.47)	265.28	117.03	134.85
ELECTRICAL APPLIANCES	1,570.90	(43.24)	(1.71)	0.91	1,525.04	824.56	63.31	(4.12)	883.75	641.28	746.34
COMPUTERS	2,807.56	12.31	(11.71)	21.09	2,787.06	2,188.83	182.62	(30.91)	2,340.54	446.53	618.73
ASSETS SCRAPPED/ DECOMMISSIONED	526.47	(5.95)	(369.39)	5.36	145.77	-	-	-	-	145.77	526.47
TOTAL	**191,119.73**	**5,878.25**	**444.66**	**321.71**	**197,120.93**	**121,067.64**	**8,591.89**	**(700.92)**	**128,958.60**	**68,162.33**	**69,987.35**
Previous Year	**183,432.79**	**9,830.13**	**(848.23)**	**1,294.96**	**191,119.73**	**114,067.64**	**8,737.64**	**(1,737.64)**	**121,067.64**	**69,987.35**	**-**

Adjustments during the year Rs.369.39 million in Assets Scrapped/ Decommissioned represents provision/loss against the same.

NOTE - 12A INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2012	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2013	As At 1.4.2012	For The Year	Sales/ Adjustments During The Year	As At 31.3.2013	As.at 31.3.2013	As.at 31.3.2012
APPLICATION SOFTWARE	766.66	-	-	-	766.66	324.23	69.05	-	393.28	373.38	442.43
3G & BWA LICENCE FEES	110,979.70	15.18	19.54	-	111,014.42	22,997.26	6,305.55	16.21	29,319.02	81,695.40	87,982.44
TOTAL	**111,746.36**	**15.18**	**19.54**	**-**	**111,781.08**	**23,321.49**	**6,374.61**	**16.21**	**29,712.30**	**82,068.78**	**88,424.87**
Previous Year	**111,680.32**	**65.89**	**0.15**	**-**	**111,746.36**	**16,931.69**	**6,367.64**	**22.15**	**23,321.49**	**88,424.87**	**-**

NOTE - 13A

CAPITAL WORK IN PROGRESS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Buildings	1,113.33	1,784.76
Apparatus & Plants	6,477.46	4,281.96
Lines & Wires	18.01	102.88
Cables	1,195.38	1,727.26
Subscribers Installations	213.80	180.45
Air Conditioning Plants	475.58	1,050.15
Total	**9,493.56**	**9,127.47**

NOTE - 14A

NON CURRENT INVESTMENTS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
LONG TERM INVESTMENTS (UNQUOTED)		
INVESTMENT IN PREFERENCE SHARES		
Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, first instalment of ₹200000000 was due in 2012-13 but still not received.	600.00	800.00
Total	**600.00**	**800.00**

NOTE - 15A

LONG TERM LOANS AND ADVANCES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
SECURED, CONSIDERED GOOD		
Advances to employees		
i) Housing Loan	578.11	787.84
ii) Vehicle Loan	16.97	27.00
iii) Other Loans	2.88	8.41
UNSECURED, CONSIDERED GOOD		
Capital Advance	37.86	38.68
Deposits with other Govt. Deptt./Companies	455.36	658.72
Others		
Advance Taxes		
Income Tax	15,965.15	21,434.76
Less: Provision for income tax	(5,828.19)	(8,853.48)
	10,136.96	**12,581.28**
FBT	3,518.31	1,506.78
Less: Provision for FBT	(257.45)	(257.45)
	3,260.86	**1,249.33**
Cenvat	72.51	105.29
Amount recoverable from DoT	35,117.68	34,262.80
Total	**49,679.20**	**49,719.35**
Less:		
Provision for Doubtful Advances	301.00	367.37
Total	**49,378.20**	**49,351.98**

NOTE - 16A

OTHER NON CURRENT ASSETS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Receivable from BSNL	36,097.39	30,679.67
Interest accrued on loans and advances	876.40	930.68
Receivable from DOT	65.45	65.45
Others	7.05	9.06
Bank deposits (with more than 12 months maturity)*	57.75	84.02
Interest accrued on deposit	8.68	5.51
Less:		
Provision for other non current assets	69.27	69.96
Total	**37,043.44**	**31,704.43**

* includes ₹57.75 million (₹84.02 million) under lien

NOTE - 17A

CURRENT INVESTMENTS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Investment in ITI Preference shares (Unquoted)	400.00	200.00
(Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, first instalment of ₹200000000 was due in 2012-13 but still not received.)		
Investment in MKVDC bonds having a coupon rate of 11.50% (Unquoted)	0.00	2500.00
Less: Provision for doubtful recovery of investment	200.00	0.00
Total	**200.00**	**2700.00**

NOTE - 18A

INVENTORIES*

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Lines and Wires	24.83	32.00
Cables	403.39	537.23
Exchange Equipment	382.49	459.60
Telephone & Telex Instrument	198.28	137.79
WLL Instruments	156.94	161.04
Telephone & Telex Spares	7.19	10.38
Installation Test Equipment	1.85	2.71
Mobile Handset & Sim cards	31.26	23.23
Total	**1,206.22**	**1,363.98**
Less:		
Provision for obsolete stores	369.93	339.04
Total	**836.29**	**1,024.95**

* Inventories being stores and spares are valued at cost or net realizable value, whichever is lower. Cost is determined on weighted average basis.

NOTE - 19A

TRADE RECEIVABLES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
UNSECURED		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
CONSIDERED GOOD	1,514.33	1,499.27
CONSIDERED DOUBTFUL	23.78	19.85
(b) OUTSTANDING FOR OVER SIX MONTHS		
CONSIDERED GOOD	1,931.79	1,784.03
CONSIDERED DOUBTFUL	6,886.03	6,317.91
Total	**10,355.92**	**9,621.06**
Less:		
PROVISION FOR DOUBTFUL DEBTS	6,299.35	4,929.60
PROVISION FOR WRONG BILLING	16.73	1,195.04
Total	**4,039.84**	**3,496.43**

Secured to the extent of security deposits to the tune of ₹5979.81 million (₹6588.81 million) which are under reconciliation.

NOTE - 20A

CASH AND CASH EQUIVALENTS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Balances with banks	1,073.46	857.55
Cheques/ Drafts in hand	56.62	50.42
Cash in hand	22.78	7.85
Bank deposits (with less than 1 year maturity)*	140.16	437.62
Total	**1,293.03**	**1,353.43**
Less:		
Provision for doubtful bank balances	12.21	12.16
Total	**1,280.82**	**1,341.27**

*(includes ₹ 32.59 million under lien)

NOTE - 21A

SHORT TERM LOANS AND ADVANCES

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
LOANS & ADVANCES		
(1) To EMPLOYEES		
Secured, Considered good		
(i) Housing Loan	228.48	250.24
(ii) Vehicle Loan	7.97	11.00
(iii) Other Loans	4.30	7.67
Unsecured, Considered good;		
Festival, TA, LTC, Medical etc advances	573.29	611.57
(2) To OTHERS		
Unsecured, Considered good		
(i) Contractors	310.12	395.65
(ii) Advance payment of Taxes		
(a) Income Tax	433.63	375.89
(b) Wealth Tax	17.65	15.93
(c) Others	27.64	22.79
(iii) Prepaid expenses	411.60	263.78
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - IUC operators	1.29	636.19
(b) Service Tax Recoverable - others	873.86	0.00
(c) Cenvat Credit	1050.55	1071.46
(v) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	424.48	424.37
(b) Others	3538.11	2184.54
Total	**7902.98**	**6271.07**
Less:		
Provision for Doubtful Advances	216.37	259.10
Total	**7686.61**	**6011.97**

NOTE - 22A

OTHER CURRENT ASSETS

	As at 31.3.2013 (₹ in Million)	As at 31.3.2012 (₹ in Million)
Interest accrued on deposits	7.90	197.13
Interest accrued on loans and advances	96.08	80.79
Interest accrued on Income Tax Refund	434.07	470.49
Income Tax Receivables	606.03	2,570.47
Unbilled Revenue	2,068.14	2,089.16
Total	**3212.21**	**5408.04**

MTNL

NOTES FORMING PART OF STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST MARCH, 2013

NOTE 23A

NET REVENUE FROM OPERATIONS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
(A) Revenue From Sale of Services		
Fixed Telephone:		
FIXED MONTHLY CHARGES	6,175.35	6,611.17
CALLS & OTHER CHARGES	5,523.71	5,731.12
FRANCHISEE SERVICES	448.68	498.12
RENT & JUNCTION CHARGES- OTHERS	2,352.92	1,308.09
ACCESS CALLS & OTHERS CHARGES- OTHERS	1,134.79	1,925.43
IPTV	15.18	14.80
BROADBAND	7,402.46	6,814.90
VCC	37.68	36.04
CIRCUTS- LOCAL	1,117.29	1,023.83
CIRCUTS- LONG DISTANCE	1,414.94	1,433.34
INTERCONNECTION CHARGES	26.41	-
ISDN - FIXED MONTHLY CHARGES	419.51	412.46
ISDN- CALL CHARGES	332.72	339.25
MOBILE SERVICES:		
WLL-FIXED CHARGES	52.27	85.41
WLL-CALL CHARGES	26.52	39.27
INTERCONNECTION CHARGES	891.59	2,988.21
CELLULAR- FIXED & CALL CHARGES	1,227.57	1,775.44
INCOME FROM ROAMING	2,874.37	261.56
PRE-PAID INCOME	2,685.76	2,292.70
ACTIVATION CHARGES	3.79	3.20
VAS	101.90	76.57
OTHER SERVICES:		
INTERNET	69.74	49.21
FREE PHONE	360.36	253.98
PREMIUM RATE SERVICES	3.63	3.30
VOIP SERVICES	6.11	11.31
Miscellanous	161.04	175.29
(b) Other operating revenues		
Revenue from enterprise business	1.25	92.47
Surcharge on delayed payments	96.71	158.81
Total	**34,964.26**	**34,415.28**

NOTE - 24A

OTHER INCOME

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
INTEREST		
(i) From Bank	12.12	12.35
(ii) From Employees	87.00	92.87
(iii) From Others	58.30	299.50
(iv) From Income Tax Refunds	460.67	331.36
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	1.91	3.02
Profit on sale of assets	42.04	35.97
Liquidated damages	147.36	178.35
Foreign Exchange Fluctutation Gain	0.50	5.20
Bad Debts Recovered	8.36	14.26
Excess Provision Written back	842.83	743.90
Rent on Quarters/ IQs/ Hostels & other services	86.37	56.49
Rental income from properties	646.82	297.63
Others	472.59	464.18
Total	**2866.89**	**2535.08**

NOTE - 25A

EMPLOYEE BENEFITS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Salary, Wages & Other Benefits	22,632.83	21,401.89
Bonus / Exgratia	0.01	0.05
Medical Expenses/ Allowances	789.57	833.74
Leave Encashment		
(I) Company Employees	2,626.34	943.32
(II) Others	19.19	14.46
Pension Contribution		
(I) Company Employees	26,463.85	15,620.86
(II) Others	10.59	165.48
Contribution To CPF	652.19	521.56
Gratuity	737.57	1,906.17
Staff Welfare Expenses	26.83	34.92
Total	**53,958.96**	**41,442.44**
Less:		
Allocation To Capital Work In Progress	4,914.24	4,298.25
Total	**49,044.73**	**37,144.19**

NOTE - 26A

REVENUE SHARING

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
REVENUE SHARING	4,576.80	4,689.09
Total	**4,576.80**	**4,689.09**

NOTE - 27A

LICENCE FEES

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
LICENSE FEES	2,514.61	2,426.82
Total	**2,514.61**	**2,426.82**

NOTE - 28A

ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Power, Fuel & Water	2,488.50	2,164.60
Rent	853.32	823.15
Lease Rentals other than on CWG	-	0.29
Repairs & Maintenance		
(1) Building	138.81	162.67
(2) Plant & Machinary	1,164.69	1,243.68
(3) Others	276.66	219.17
Seminar & Training Charges	6.72	3.81
Insurance	64.40	63.63
Rates & Taxes	477.75	408.54
Wealth Tax	1.65	2.37
Travelling Expenses	11.48	16.62
Postage & Courier	61.38	77.30
Printing & Stationery	85.83	92.46
Vehicle Expenses		
(I) Maintenance	8.37	9.83
(II) Running	27.51	29.95
(III) Hiring	80.47	95.91
Commission Paid To Franchisee Services	354.35	370.65
Advertising / Business Promotion Expenses	81.70	220.85
Foreign Exchange Fluctuation Loss	18.13	33.10

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Provision For Doubtful Debts	517.65	903.02
Provision For Doubtful Recovery of Investment	200.00	-
Provision For Wrong Billing	0.28	4.62
Provision For Obsolete Store / Claim	33.66	30.45
Bad Debts Written Off	18.73	11.52
Professional & Consultancy Charges	46.56	60.62
Internet Charges	483.40	413.60
Loss On Sale Of Assets	50.53	181.82
Loss Of Assets (Other Than On Sale)	126.71	202.26
Spectrum Charges (WLL)	2.40	2.37
Spectrum Charges (MS)	499.60	398.25
Interest On Customer's Deposits	4.06	4.11
Provision For Doubtful Advances	95.01	16.54
Miscellaneous Expenses	837.63	813.00
Total	**9,117.91**	**9,080.76**
Less:		
Allocation To Capital Work In Progress	1,164.69	613.60
Total	**7,953.21**	**8,467.16**

NOTE - 29A

DEPRECIATION & AMORTIZATION EXPENSES

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Depreciation	8,591.89	8,721.70
Amortization 3G	3,280.86	3,282.00
Amortization BWA	3,022.65	3,022.65
Amortization others	71.10	78.94
Total	**14,966.49**	**15,105.28**

NOTE - 30A
FINANCE COST

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Interest on Bonds	9.44	0.00
Interest on Loan	11786.43	9491.62
Interest to Others	-	8.23
Commitment Fees	1.10	-
Other Borrowing Costs	11.71	-
Total	**11,808.68**	**9,499.85**

NOTE - 31A

INCOME TAX EXPENSE

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Current Tax	0.40	13.07
Deferred Tax	(7.02)	(6.43)
Taxes Of Earlier Period Paid/ Written Back	-	0.37
Total	**(6.62)**	**7.01**

NOTE - 32A

PRIOR PERIOD ITEMS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
PRIOR PERIOD ITEMS (DEBIT)		
Rent	(4.18)	-
Rates & Taxes	49.58	-
Repair To Buildings & Others	7.94	2.08
Depreciation	155.20	147.37
Others	(5.76)	9.08
LESS:-		
Prior Period Items (Credit)		
Income From Telephone	8.25	(0.83)
Excess Provision Written Back (Income Tax)	-	8.10
Interest On Income Tax Refund	-	(471.03)
Others	0.51	(27.90)
NET	**194.01**	**650.18**

NOTE - 33A

EARNINGS/(LOSS) PER SHARE

	For the year ended 31.3.2013 (Rs.)	For the year ended 31.3.2012 (Rs.)
Basic	(84.48)	(65.15)
Diluted	(84.48)	(65.15)

NOTE - 34A

PAYMENTS TO STATUTORY AUDITORS (Disclosure Note only)

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
(a) As Auditor	3.74	3.09
(b) For Taxation Matters	0.91	0.67
(c) For Other Services	2.11	2.47
(d) For Reimbursement of Expenses	0.94	0.96
TOTAL	**7.69**	**7.20**

NOTE - 35A

EXCEPTIONAL ITEMS

	For the year ended 31.3.2013 (₹ in Million)	For the year ended 31.3.2012 (₹ in Million)
Others	2.26	2.26
TOTAL	**2.26**	**2.26**

Note 36 A:

NOTES TO ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

1 Principles of Consolidation

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

a) The financial statements of the Company and its subsidiary companies are amalgamated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".

b) Interest in Joint Ventures has been accounted for by using the proportionate consolidation method as per Accounting Standard (AS) 27 - "Financial Reporting of Interest in Joint Ventures".

c) In the foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the closing rate prevailing at the end of the year. All assets and liabilities are converted at rates prevailing at the end of the year.

d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's standalone financial statements.

2. Investments other than in subsidiaries and JVs have been accounted as per Accounting Standard (AS) 13 on "Accounting for Investments".

(₹in Millions)

	3. Contingent Liabilities	**2012-13**	**2011-12**
(a)	Income Tax Demands disputed and under appeal	13176.91	11017.99
(b)	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	5761.60	5761.43
(c)	Disputed Demand under Lease Act	NIL	49.92
(d)	Interest to DDA on delayed payments/pending court cases/Tax cases	Amount Indeterminate	Amount Indeterminate
	ii Stamp duty payable on land and buildings acquired by the Company	Amount Presently Unascertainable	Amount Presently Unascertainable
(e)	Claims against the company not acknowledged as Debts	40503.32	9859.69
(f)	Bank guarantee & Letter of Credit	1243.46	981.62

(g)	Directory dispute	2858.34	2858.34
(h)	Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution	1738.10	1738.10
(i)	Pending court cases against land Acquisition	53.78	53.78

(j) Contingent Liability on account of Income Tax as shown in 1(a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed and notices u/s115 WG(c) of I.T. Act for FBT for the Assessment year 2007-08 to 2009-10 and a notice u/s 148 of I.T. Act for the assessment year 2007-08, as the same are Indeterminable.

(k)	BSNL IUC contingent liability	1403.63	1403.63
(i)	Contingent liabilities and commitments of JVs and Subsidiaries	348.31	

4. Change in Accounting Policy

No change in the Accounting Policy has been made during the year .

5. Estimated amount of contracts remaining to be executed on capital account is ₹1341.83 Million (Previous year ₹2004.16 million). In respect of contracts where the expenditure already incurred has exceeded the contract value and the contract remains incomplete, the additional expenditure required to complete the same cannot be quantified.

6. Other liabilities include credits on account of receipts including service tax from subscribers amounting to ₹420.30 Million (₹412.24 Million), which could not be matched with corresponding debtors or identified as liability, as the case may be. Appropriate adjustments/ payments shall be made inclusive of service tax, when these credits are matched or reconciled. Therefore, it could not be adjusted against making provision for doubtful debts.

7. a) The company had claimed benefit under section 80 - IA of the Income Tax Act, 1961 for the financial years from 1997-98 to 2005-06. The appellate authorities have allowed the claim to the extent of 75% of the amount claimed. The company has preferred appeals for the remaining claim before the Hon'ble Courts of Delhi. The company has retained the provision of ₹4003.32 million (₹4003.32 million) for this claim for the financial years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to ₹3457.16 million (₹3948.46 million) for the financial years 1997-98 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act,1961.

b) Income Tax receivable include appeal effect of ₹1015.43 million pertaining to financial year 1999-00 which is pending for settlement by the Income Tax Department. This include Tax amount of Rs 603.03 million and interest accrued thereon amounting to ₹ 412.4 million. Efforts are being made to recover the same at the earliest.

c.) The balances appearing in Advance tax, Provisions for income tax and Interest on income tax refunds are subject to reconciliation with the figures of the tax records.

d) In accordance with Accounting Standard 22, accounting for taxes on Income, the company has deferred tax assets amounting to ₹40173.90 million (₹25850.97 million) including ₹9204.16 million (₹6897.96 million) on account of unabsorbed depreciation and ₹28859.41 million (₹ 16896.27 million) brought forward business losses as on 31.3.2013. However, in the current Telecom Industry Scenario, there is no virtual certainty of availability of sufficient future taxable income against which the above asset can be realized. Hence, the Deferred Tax asset has not been accounted for. DTA amounting to ₹40173.90 million (₹25850.97 million) shall be created in the year in which the company will have virtual certainty of future taxable income as required by AS-22 issued under the Companies (Accounting Standards) Rules, 2006.

8. a) Provision for taxation for the current year comprises of Income Tax of ₹ Nil (₹ Nil), Wealth Tax of ₹1.65 Million (₹2.37 million).

b) During the year, the company has suffered a business loss of ₹53211.23 million (₹41097.84 million). The company intends to carry forward its business loss including unabsorbed depreciation/amortization to the tune of ₹46179.10 million (₹35538.41 million) as per calculation made under Income Tax Act, 1961.

9. a) The supplemental agreement entered into between United India Periodicals Pvt. Ltd. / United Data Base (India) Pvt. Ltd/ Sterling Computers Ltd and the company for printing of telephone directories was struck down by the Hon'ble High Court of Delhi on 30.9.92 and the said decision was upheld by the Hon'ble Supreme Court of India on 12.1.93. A claim against the Company has been raised by Sterling Computers Ltd. for ₹ 258.2 Million which being under dispute, has not been provided for. The company has filed its counter claims of ₹ 228.7 Million before the Hon'ble High Court against Sterling/ UDI/UIP and has also filed arbitration claims of ₹561.8 Million plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for ₹ 154.91 Million (₹ 154.91 Million) on account of royalty, interest and billing charges and on payments made through Letter of Credit; ₹130.47 Million (₹130.47 Million) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the company for interest and service charges aggregating ₹143.67 Million (₹143.67 Million) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation of claim and further claims recoverable shall be effected upon determination based on the outcome of the proceedings in the court of law.

MTNL has filed OMP No.151/1996 seeking enlargement of time under Section 28 of the Arbitration Act for the Arbitrator to publish the award. The case is still pending and will be listed along with OMP No.135/94 for final hearing. The petitioner M/s United India Periodical (Ltd.) filed OMP No.135/94 in the High Court of Delhi challenging the appointment of Arbitrator under Section 33 of the Arbitration Act 1940. The Petition is pending from 24.10.1994 in the High Court of Delhi. Now the petitioner has filed an application for amendment in the petition filed in the year 1994 with the prayer that the arbitration clause 20 of the original contract dated 14.3.1987 be determined by the Hon'ble Court of the subsequent events. During the financial year 2011-12, the Hon'ble High Court pass an order on 7.12.2011directing to stop arbitration proceedings against M/s Sterling regarding the arbitration case of M/s UIP also and it is informed by learned arbitrator that this proceeding stand still in the SLP filed by UIP. However, MTNL is not received the certified copy of the order. On receipt of the same MTNL

will file further to the court. The petitioner has also took plea of res-judicata as the MTNL filed the Suit No.4628 of 1994 in Mumbai and the same is pending before the Bombay High Court. The case is now listed in the category of final matter and is on regular board of the Court for the both the aforesaid OMP's.

The suit filed by MTNL against M/s Sterling Computers and others is pending in the High Court of Mumbai in which claims to the tune of ₹228.7 million towards Royalty, Interest on Royalty amount upto 31.8.1994, amount paid against LC, Interest on amount of LC, L/D for non-performance and other charges etc. for Delhi and Mumbai both units. This suit is filed after non-performance of supplementary agreement dated 19.7.1991 & 26.9.1991 by M/s Sterling Computers Ltd. The case is still pending at Mumbai High Court.

(b) MTNL entered into contracts with M/s. M & N Publications Limited for printing, publishing and supply of telephone directories for Delhi and Mumbai unit for a period of 5 years starting from 1993. After printing and issue of 1993 (main & supplementary) and 1994 main directory, M/s. M & N Publications Ltd terminated the contract prematurely on 04.04.1996. MTNL, Mumbai invoked Bank Guarantee on 09.04.1996 and issued Legal Notice on 22.07.1996 and terminated the contract.

Sole Arbitrator has been appointed by CMD, MTNL. The Sole Arbitrator has since given his award on 09.04.2013 partly in favor of MTNL, Mumbai. The claim and counter claim under arbitration will be accounted for in the year when the ultimate collection/payment of the same becomes reasonably certain.

10. Certain Lands and Buildings capitalized in the books are pending registration/legal vesting in the name of the company and the landed properties acquired from DOT have not been transferred in the name of the company and in the case of leasehold lands, the documentation is still pending. Stamp Duty and the lands and buildings acquired from DOT is payable by DOT as per sale deed and in respect of properties acquired after 1.4.1986, the documentation shall be contemplated at the time of sale or disposal as and when needed.

11. The Mumbai Unit had applied for amnesty under the Maharashtra Kar Nivaran Yojana, 1999 in respect of the Sales Tax demands of Rs 8.10 Million (₹ 8.10 Million). The application for amnesty towards demands aggregating ₹2.09 Million (₹2.09 Million) has been accepted. The balance applications relating to demands of ₹6.02 Million (₹6.02 Million) are under process and are not included under Contingent Liabilities.

12. The amount recoverable from BSNL is ₹36097.39 Million (₹30679.67 Million) and amount payable is ₹16345.13 Million (₹15205.76 Million). The Net recoverable of ₹19752.26 Million (₹15473.91 Million) is subject to reconciliation and confirmation.

a) Certain claims of BSNL on account of Signaling charges ₹219.30 million (₹219.30 million), Transit tariff ₹251.90 million (₹251.90 million), MP Billing ₹60.10 million(₹60.10 million), Service Connections ₹401.48 million (₹401.48 million), IUC ₹101.40 million (₹101.40 million) and IUC from Gujrat Circle ₹11.14 million (₹11.14 million) are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary.

b) Delhi Unit has accounted for the expenditure on account of telephone bills of service connections raised by BSNL towards MTNL for the period from 01.10.2000 to 30.09.2006 to the tune of ₹ 98.01 million (₹ 98.01 million) on the basis of actual reimbursement made for subsequent periods against

the disputed claim of ₹312.72 million (₹312.72 million), since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of ₹ 214.72 million (₹ 214.72 million) is shown as contingent liability.

c) In both Delhi and Mumbai Unit an amount of ₹3782.25 million (3375.84 million) and ₹2748.67 million (₹2750.38 million) has been accounted as receivable and payable from BSNL respectively on account of IUC charges which is included in the recoverable & payable amounts as shown above.

d) During the year in Delhi Unit out of the Access calls and other charges ₹76.94 million (Rs 104.69 million) towards interconnect charges on rate prescribed by TRAI in IUC regulation in the absence of any interconnect agreement between MTNL & BSNL. BSNL is also charging the same and the claim raised by both parties are under dispute. Direct connectivity traffic expenditure with BSNL has been booked on the basis of billing system of Delhi Unit.

e) During the year an amount of ₹1296.55 million (₹ 868.65 million) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL. In case of Mumbai Unit, ₹3.27 million (₹39.72 million) as payable to BSNL.

f) During the year an amount of ₹184.02 million (₹190.58 million) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.

13. As per directions of the Hon'ble Delhi High Court one UASL operator had paid to MTNL, Mumbai ₹1249.30 million and ₹339.90 million in 2004-05 and 2005-06 respectively against the claim of ₹1589.20 million. The company has recognised the amount realized as revenue in the respective period. The Hon'ble TDSAT has ordered for reconciliation of the bills. The Company has filed a Civil Appeal and application for stay of operation of the order of TDSAT in the Hon'ble Supreme Court of India which is admitted by the court on 10-5-2013 for further course of action.

14. The Bank Reconciliation Statements as at 31st March 2013 include unmatched/unlinked credits/ debits given by the banks in the Mumbai Unit's bank accounts amounting to ₹ 2.40 million (₹ 1.59m) and ₹ 1.41 million (₹ 2.02 m) respectively. Reconciliation and follow up with the bank official to match/ rectify the same is in process. Necessary adjustments have been made in the books of accounts.

15. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹1000 Million during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in 5 equal installments. Accordingly, five installments amounting to ₹200 Million each, aggregating to ₹1000 Million have become redeemable, which have not been redeemed by ITI Limited. As per letter No.U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the above cumulative Preference Shares was deferred to 2012-13 onwards in five equal installments. The first installment which was due in 2012-13 has not been paid. As per the information, Dept. of Telecom's proposal to revive the company is in an advanced stage and DOT planned to send the case for cabinet approval before 31-12-2013. In view of the revival plan being in an advanced stage the provision for the installment due in 2012-13 is only considered.

16. Amount recoverable on current account from DOT is ₹35183.13 Million (₹ 34328.25 Million) and amount payable is ₹756.02 Million (₹516.44 Million). The net recoverable of ₹34427.11 Million (₹33811.81 Million) is subject to reconciliation and confirmation.

a) In both the units, deposits from applicants and subscribers as on 31st March, 1986 were ₹1503.59 million as intimated provisionally by DOT. In Mumbai Unit, at the year end these deposits amounting

to ₹1032.79 million (₹1032.79 million), the difference being attributable to connections/refunds granted in respect of deposits received prior to 31st March, 1986. Out of the said amount of ₹1032.79 million, claims of ₹597.94 million (₹597.94 million) have been settled and ₹434.85 million (₹434.85 million) is due at the end of the year. In case of Delhi Unit, balance on this account is still recoverable is ₹123.60 million (₹123.60 million).

b) The balance in the Subscribers' Deposit Accounts is to the tune of ₹5979.81 million (₹6588.81 million).Out of this balance in Delhi Unit an amount of ₹ 3017.12 Million (₹3133.56 Million) on account of subscriber deposits is under reconciliation.

c) Interest Accrued and Due on the aforesaid subscriber deposit accounts for both the units of ₹21.80 Million (₹23.97 Million) is subject to reconciliation with the relevant subsidiary records.

d) The reconciliation of deposits pertaining to Mumbai unit is done and on reconciliation of Balances of customer's deposits in the CSMS billing system with financial books (WFMS), an amount of ₹1348.04 million is found excess in financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.

e) On reconciliation of balance outstanding under refund due to subscribers account with actual amount due for refund, ₹371.28 million was identified as excess liability appearing in the financial books. Pending decision on final treatment of this excess amount, the same is retained as liability in the financial books.

f) In both of the units there are unlinked receipts to the tune of ₹420.30 million (₹ 412.60 million).

g) The balance of sundry debtors as per ageing summary under subsidiary records lower by ₹73.83 million (₹94.70 million) as compared to the balance in general ledger and is under reconciliation. The resultant impact of the above on the account is not ascertainable.

h) In Mumbai Unit, the balances under sundry debtors includes accrued surcharge of ₹3.01 millon (₹ 3.87m) for late payments.

i) In Delhi unit, provision of Debtors including spill over has been made amounting to ₹922.94 million (₹1014.53 m) against the total debtors excluding service tax amounting to ₹1274.03 million (₹1321.61 m) on the basis of financial books.

17. License Fees were calculated on the AGR accounted for on accrual basis in respect of both revenue and revenue sharing with other operators till 2011-12. As regards the directions of Supreme Court given earlier in respect of calculation of License Fees and AGR the matter has been referred back to TDSAT and is pending in respect of other private telecom operators. However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement. In respect of revenue sharing with BSNL, the issue is taken up with DOT while paying License Fees on actual payment basis from 2012-13 onwards. The impact of ₹1403.60 Million on this account upto the year 2011-12 has been shown as contingent liability and issue is also taken up with BSNL and DOT by MTNL.

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

Sl. No.	Name of the Bank and Branch	Balance as on 31st March, 2013	Maximum balance during the year ended 31st March, 2012
		(₹)	(₹)
A.	Patan Cooperative Bank Limited	27,634	(27,634)
	(account closed, considered doubtful)	27,634	(27,634)
B.	Indira Sahakari Bank Limited	5,594,189	(5,594,189)
	(considered doubtful)	5,594,189	(5,594,189)
C.	The Mogaveera Cooperative Bank Limited	35,445	(35,445)
	(account closed, considered doubtful)	35,445	(35,445)

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

		2012-13 (₹ in million)	2011-12 (₹ in million)
a)	Customs duty refund claims	53.21	53.21
b)	Insurance claims due to theft	744.46	770.37
c)	Refund claimed from BMC (Sewerage Tax, etc)	30.15	27.82

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

21 a) Out of total provision of Gratuity of ₹14181.74 Million up to 31.3.2013 (₹13790.64 Million), an amount of ₹1943.73 Million(₹ 1943.73 Million) and ₹ 665.40 Million (₹ 665.40 Million) is recoverable from DOT, in respect of Group C & D and Group B employees respectively, for the period prior to their absorption. As on 31.03.2013 ₹12236.61 Million (₹10386.13 million) is available with the Gratuity Trust.

b) The total provision of Leave Encashment is ₹9386.31 Million up to 31.3.2013 (₹ 7370.75 Million). Out of this, an amount of ₹ 653.68 Million (₹ 653.68 Million) and ₹ 433.74 Million (₹ 433.74 Million) is recoverable, from DOT in respect of Group C & D and Group B employees respectively for the period prior to their absorption in MTNL.

c) An amount of ₹ 14732.72 Million (₹13541.11 Million) towards GPF contribution is recoverable from DOT as on 31.3.2013. The amount pertains to Group C& D and Group B employees absorbed in MTNL w.e.f. 01.11.98 and 01.10.2000 respectively.

d) The total provision of Pension is ₹101561.59 Million (₹78991.46 Million) upto 31.3.2013. Out of this an amount of ₹7546.2 Million (₹7546.2 Million) and ₹2201.02 Million (₹2201.02 Million) is recoverable from DOT in respect of Group C&D and Group B employees for the period prior to their absorption.

The provisions of Pension, Gratuity & Leave Encashment for absorbed employees have been made on actuarial valuation.

e) The DOT has given commitment vide GOI Ministry of Communication & ITDeptt. of Telecom vide letter No. 40-29/2002-Pen(T) dated 29th August, 2002 that it has been agreed in principle that the payment of pensionary benefits including the family pension to the government employees absorbed in MTNL and who have opted for government scheme of pension shall be paid by the government. The exact modalities in this regard are being worked out by Deptt. of Pension and Pensioners welfare. Pending decisions on the modalities of liabilities payable to DOT towards pension contribution on MTNL, so as to have a prudent method, on conservative basis, MTNL has adopted the method of valuation as per AS-15 (Revised) through actuarial valuation for defined benefit plan of Central Govt. Pension Scheme and the provision is kept separately in the books. The necessary adjustments will be made in the books on finalization of modalities.

22. Certain works have been carried out for defence network in respect of Alternate Communication System. In respect of usage of the same in Mumbai unit ₹338.30 million has been received at Corporate Office. Out of this ₹59.82 million has been decapitalised in 2011-12 accounts and ATD sent to Corporate Office. The AT for the balance amount of ₹278.48 million has been received from Corporate Office in 2012-13. Out of this amount ₹18.98 million has been decapitalised in 2012-13, ₹32.33 million has been reduced from prior period expenses. Balance amount of ₹227.17 million is relating to revenue for usage of the ducts. The work was completed in March-2011, the revenue is to be spread over a period of 18 years which is the life considered for depreciation of Cables. During the year ₹25.24 million has been booked as income and balance of ₹201.93 million is taken as unearned revenue to be recognised as income in the next 16 years. However the accounting is under review at corporate level.This being the revenue pertaining to usage of MTNL ducts etc. by defence the issue is taken up with D.O.T. for payment of annual charges to MTNL and pending decision on this , no revenue is booked for the period from 1-4-2010 to 31-3-2013 and pending finality on the issue the accounting treatment at Mumbai unit is not changed.

23. In both units, Delhi Unit & Mumbai Unit, CDMA exchanges of 100K & 50K have been decommissioned by the management during financial year 2008-09. The liability on this project amounting to ₹736.20 million (includes 13973820 US dollars) lying in the books for more than three years and not paid to vendors due to issue arising out of contract agreement, is not written back in view of pending arbitration case filed by vendor.

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

25. The amount of receivables and payables (including NLD / ILD Roaming operators) is subject to confirmation and reconciliation. Pending such confirmation/ reconciliation, the impact on the account is not ascertainable at this stage.

26. In respect of Delhi Unit, Certain claims in respect of damaged/lost fixed assets and inventory has been lodged with Insurance Companies and accordingly gross block, accumulated depreciation and

value of inventory have been withdrawn in the respective years pending settlement of the claim. The claims are still pending with insurance company. The final adjustment in respect of difference between amount claimed and assets withdrawn will be made in the year of settlement of claim.

27. There is no agreement between the Company and DOT for interest recoverable/Payable on current account. Accordingly, no provision has been made for interest payable/receivable on balances during the year except charging of interest on GPF claims receivable from DOT.

28. Vacant Land and Guest Houses are valued at original value for the purpose of wealth tax provisions.

29. The company has incurred a loss of ₹53211.23 million during the year under report and as a result thereof the net worth has become negative. The company has moved the case for reference to BRPSE (Board for Reconstruction of Public Sector Enterprises) seeking revival. The company has also moved proposals for refund of one time spectrum fees paid in 2010 towards BWA spectrum to the tune of Rs 45370 million with interest to the extent of ₹14960 million, support of govt. for VRS of 19000 employees and approval for monetization of MTNL land. All these cases are in an advanced stage of govt. approvals and are likely to be settled in the coming months. Besides, the settlement of pension payment through Govt. trust in 2013 -14 also would reduce the liability on MTNL very drastically as the annual pension out go around Rs 5000 million would be met by Govt. pension trust and the actuarial liability of around ₹20000 million also comes down to annual contribution to trust as per Fundamental Rule 116. All these actions being actively considered by Govt. could neutralize the negative net worth. As at the balance sheet while preparing financial statements, management has made an assessment of an entity's ability to continue as an on going concern taking into account all these facts and also into the fact that these approvals are in active consideration of Govt. and also that out of expected sovereign guarantee cover of ₹ 80000 million. MTNL has already got ₹10050 million in 2012-13 and expects to raise balance bonds in 2013-14 to steer out of the negative net worth.

30. In case of Delhi Unit a sum of ₹91.25 million (₹91.25 million) accounted for as income in financial year 2007-08 being ADCC recoverable from Project Development Company (PDC) towards development of Core knowledge park at Noida is still to be recovered and interest there on for the current period is not accounted for as the issue of funding of the project by MTNL is raised by the PDC and pending decision by corporate management and also as there is no explicit agreement for interest as such no interest income has been accounted for. Out of ₹91.25 million, ₹60.00 million are secured against Bank Guarantee and for rest amount of ₹31.25 million, a provision has been made in year 2012-13.

31. (a) In respect of Mobile Services Delhi, a sum of ₹ 258.94 Million (₹ 258.94 Million) claimed by TCL for ILD charges for the period Oct-09 to March-10 has not been paid due to heavy spurt in ILD traffic towards M/S TCL. On technical analysis it was found that these calls were made to some dubious and tiny destination. These destinations do not confirm to international numbering plan of the respective countries and are not approved destinations as per approved interconnect agreement. Further these calls have not got physically terminated to the destinations. The observations were shared with M/S TCL. M/S TCL has also been advised that the balance which relates to fraudulent calls is not payable and accordingly no provision has been made in the books of accounts. However the units have shown the above as contingent liability. The matter has been handed over to committee for investigation.

(b) The fire accident claim in respect of data centre at CGO Complex Delhi for ₹40 million is already lodged with Insurance Company and is pending for settlement for full claim and the insurance company's

contentions are under challenge with IRDA and subsequently in the current year the insurance company has come up with a proposal to settle the case for ₹27 million which is still under examination since MTNL is demanding the full payment.

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

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

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

(b) Expenditure in Foreign Currency

(i)	Professional & Consultancy Fees	= ₹ 1.25 million (₹7.51 million)
(ii)	Travel	= ₹ 0.30 million (₹1.20 million)
(iii)	Others	= ₹ 29.24 million (₹27.60 million)

(c) Earning in Foreign Exchange(roaming) = ₹ 39.50 million (₹57.90 million)

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

33. (a)In case of Delhi Unit ₹4.83 million is outstanding against Micro, Small and Medium enterprise as defined in the Micro, Small and Medium enterprise development Act, 2006, to whom the company owes dues as at 31.3.2013. No interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.

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

	(₹ In Millions)	
Particulars	**2012-13**	**2011-12**
(1) Principal amount due and remained unpaid	4.83	NIL
(II) Interest due on above and unpaid interest	NIL	NIL
(III) Interest Paid	NIL	NIL
(IV) Payment made beyond the appointed day during the year	NIL	NIL
(V) Interest due and payable for the period of Delay	NIL	NIL
(VI) Interest accrued and remaining unpaid	NIL	NIL
(VII) Amount of futher interst remaining due And payable in the succeeding year	NIL	NIL

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

34. Employee Benefits -AS-15(R)

I. During the year, the Company has recognized the following amounts in the Profit and loss Account.

a) Defined Contribution Plans **(₹ In Millions)**

Particulars	2012-13	2011-12
	Amounts	
Employer Contribution to Provident Fund*	652.09	521.48
Leave Encashment Contribution for DOT employees**	19.19	14.46
Pension Contribution for DOT employees***	10.59	165.48

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

b) Defined Benefit Plans **(₹ In Millions)**

Particulars	Gratuity	Pension**	Gratuity	Pension**
	2012-13		2011-12	
Current Service Cost	613.23	2263.04	563.15	3451.60
Interest Cost	1119.80	6414.11	1033.56	5638.04
Expected Return on Plan Assets	(1039.62)	--	(899.83)	--
Actuarial(gain)/loss on				
Plan assets	(710.07)	17786.70	284.14	6669.36
Past Service Cost	--	--	--	--
Curtailment and Settlement Cost/(Credit)	--	--	--	--
Net Cost	**(16.66)**	**26463.85**	**981.02**	**15759.00**
Benefits paid during the year	(1227.97)	(3893.72)	(953.44)	(3311.76)

*Mentioned as Gratuity for company employees as well as absorbed employees of DOT.
**Mentioned as Pension Contribution-Company employees.

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

Particulars	2012-13		2011-12	
	Gratuity	Pension	Gratuity	Pension
Discount Rate	8.12%	8.12%	8.50%	8.50%
Salary/pension Escalation	3.50%	3.50%	3.50%	3.50%
Future DA increase	4.00%	4.00%	4.00%	4.00%

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

a) Benefit obligations. **(₹ In Millions)**

Particulars	**Gratuity**	**Pension**	**Gratuity**	**Pension**
	2012-13		**2011-12**	
Projected benefit obligation at beginning of the year	13790.64	78991.46	12073.10	66544.21
Interest Cost	1119.80	6414.11	1033.56	5638.04
Current Service Cost	613.23	2263.04	563.15	3451.60
Past Service Cost	--	--	--	--
Benefit Paid	(1227.97)	(3893.72)	(950.85)	(3311.76)
Actuarial (Gain)/loss on obligations	(113.97)	17786.70	1071.68	6669.36
Projected benefit obligation at end of the year	14181.74	101561.59	13790.64	78991.46

b) Plan Assets **(₹ In Millions)**

Particulars	**Gratuity**	
	2012-13	**2011-12**
Fair Value of plan assets at beginning of year	12995.26	11187.90
Expected Return on Plan Assets	1039.62	899.83
Contributions	952.52	1070.84
Benefit Paid	(1227.97)	(950.85)
Actuarial gain/(loss) on Plan Assets	596.11	787.54
Fair Value of Plan Assets at the end of the year	14355.54*	12995.26
Actual return on plan assets	1635.72	1687.37
Total expenses recognized during the year	(16.66)	981.02

*excludes ₹490.20 million (₹952.52 million) receivable from MTNL by trust in 2011-12) payable to MTNL & includes Rs 2609.13 million (₹ 2609.13 million) towards recoverable from DOT as one time settlement of Gratuity towards retirement benefit on absorption of employees.

IV. Category of Investment in Gratuity trust as on 31.03.2013.

(₹ In Millions)

Particulars	**Amounts**
Government of India Securities	3568.03 (3568.03)
Corporate Bonds	4440.13 (4445.24)
State Govt. Securities	2676.98 (1913.55)
Others	3670.40 (3068.44)
Total	**14355.54*(12995.26)**

* excludes ₹490.20 million (₹952.52 million receivable from MTNL by trust in 2011-12) payable to MTNL & includes ₹ 2609.13 million (₹ 2609.13 million) towards recoverable from DOT as one time settlement of Gratuity towards retirement benefit on absorption.

V. Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities we have use Mortality: 1994-96 LIC Ultimate table for mortality in service and LIC (1996-98) table for mortality in retirement.

VI. Mortality in service is assumed on the basis of LIC (1994-96) Ultimate and mortality in retirement is based on LIC (1996-98) table.

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

36. Information regarding Primary Business Segments: - AS - 17

S.No.	Particulars	Year Ended 31.3.2013 (Audited)	Year Ended 31.3.2012 (Audited)
1.	**Revenue from Operations**		
	Basic & other Services	26961.09	26682.95
	Cellular	7593.17	7310.16
	Unallocable	0.00	(0.69)
	Total	**34554.26**	**33992.41**
	Less: Inter Unit Income	267.63	259.88
	Net Revenue from Operations	**34286.63**	**33732.53**
2.	**Segment result before finance cost and tax**		
	Basic & other Services	(31367.78)	(22532.11)
	Cellular	(4797.60)	(6197.34)
	Unallocable	(5655.20)	(2946.85)
	Total	**(41820.58)**	**(31676.30)**
	Add: Interest Income	605.79	720.25
	Less: Finance cost	11802.60	9,491.62
	Less: Prior period items	193.84	650.18
	Profit/(Loss) before tax	**(53211.23)**	**(41,097.84)**
	Less: Provision for Current & Deferred tax	-	-
	Less: Taxes for earlier period(s) written back/paid	-	285.38
	Profit/(Loss) after tax	**(53211.23)**	**(41,097.84)**
3.	**Capital Employed**		
	(Segment Assets - Segment Liabilities)		
	Basic & other Services	(42574.37)	(13,615.11)
	Cellular	59658.89	63,832.76
	Unallocable	(44928.78)	(24,850.68)
	Total	**(27844.26)**	**25,366.97**

Note:-

1. The company has disclosed Business Segment as the Primary Segment. Segments have been identified taking into account the nature of the services, the deferring risks and returns, the organizational structure and internal reporting system.
2. The company caters mainly to the needs of the two metro cities viz. Delhi and Mumbai, wherein the risk and return are not different to each other. As such there are no reportable geographical segments.
3. Segment Revenue, Segment Result, Segment Asset and Segment Liabilities include the respective amount identifiable to each of the segments. The expenses, which are not directly relatable to the business segment, are shown as unallocable corporate assets and liabilities respectively.
4. Finance cost is not allocated segment wise and is considered on over all basis.

37. Related Parties Disclosure under AS-18

a) List of Related Parties and Relationships

Party	Relation
Department of Telecommunications	Holding 56.25% shares of the Company
Millennium Telecom Limited	Wholly owned Subsidiary
Mahanagar Telecom Mauritius Ltd.	Wholly owned Subsidiary
United Telecom Limited	Joint Venture
MTNL STPI IT Services Ltd.	Joint Venture
b) Key Management Personnel	
Mr. A.K. Garg	C.M.D.
Mrs. Anita Soni	Director (Finance)
Mr. B K Mittal	Executive Director, Delhi
Mr. Peeyush Aggarwal	Executive Director, Mumbai
Mr. D P Singh	CGM, WS

b) Related Party Transactions **(₹ In Millions)**

(Except DOT)

Transactions	Subsidiary	Joint Venture	Key Management Personnel
Guarantees	-	-	-
Unsecured Loan	-	NIL	NIL
Remuneration Paid	-	-	11.39 (7.63)
Loans & Advances	37.17 (26.81)	2.79 (2.73)	-

38. Earning/(Loss) Per Share - AS - 20	**2012-13**	**2011-12**
I) Profit/(Loss) after Tax	₹(53223.03)Million	₹(41041.50)Million
2) Number of Shares	630 Million	630 Million
3) Nominal value of shares	₹ 10/-	₹ 10/-
4) Basic/ diluted EPS	₹ (84.46)	₹ (65.15)

39. During the year no provision has been made for any loss on account of impairment of assets under Accounting Standard 28 as there is no indication of any impairment of assets of the Company, on the basis of the company as a whole as a CGU.

40. Consolidated Financial Statements - AS-21 & AS-27

The financial statements of Millennium Telecom Limited & Mahanagar Telephone Mauritius Limited (wholly owned subsidiaries of the Company) and United Telecom Limited & MTNL STPI IT Services Limited (Joint Ventures) are consolidated in accordance with the Accounting Standard - 21 and Accounting Standard - 27 respectively.

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

(₹ in million)

Name of JV & Subsidiary	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	147.60	170.19	(22.59)	339.22	339.22
MTNL STPI IT Services Ltd.	18.36	17.11	1.25	25.46	25.46
Millinium Telecom Limited	2.01	4.03	(2.02)	62.46	62.46
Mahanagar Telecom Mauritius Limited	522.35	510.79	11.56	1545.13	1545.13
Total	690.32	702.12	(11.80)	1972.27	1972.27

41. Based on expert opinion, the company has not been deducting tax deducted at source for IUC services rendered by BSNL. Besides, liability provided on account of pension contribution expenditure on the basis of actuarial valuation is considered as an allowable expenditure based on expert opinion.

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

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

43. The matching of billing for roaming receivables / payables with the actual traffic intimated by the MACH is being done. Further the Roaming Income is booked on the basis of actual Invoices raised by MACH on behalf of MTNL. Similarly the Roaming Expenditure is booked on the basis of actual Invoices received by MTNL from MACH on behalf of the other operators. However, regarding collection,the payment is directly made in the bank by the other operators. The payment is made by various operators and for varying periods. The collection received from the operators are matched in totality against the total bill wise but the allocation

of collection to individual operator's account is pending in the absence of detailed information which is being sought. Therefore although the Roaming Income and Expenditure are booked on actual basis, however in the absence of detailed information, the roaming debtors are reconciled in totality. Efforts are being made to allocate the collection on individual basis.

44. In view of losses, Debenture Redemption Reserve has not been created for the financial year 2012-13 in respect of 8.57% Redeemable Non-Convertible Debentures (in the form of Bonds).

45. In respect of Delhi unit out of the amount of Rs 2850 millions accounted for as income from CW games in 2010-11 an amount of Rs 430 milloins is yet to be paid. The services rendered by MTNL as per the demand of Organising Committee of CWG and sports ministry are to be paid and are under correspondence with the authorities concerned for payment .

46. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.

Sd/-	Sd/-	Sd/-	Sd/-
(S.R. Sayal)	**(K A Sarma)**	**(Anita Soni)**	**(A.K. Garg)**
Company Secretary	**DGM(A/cs)**	**Director (Fin.)**	**Chairman & Managing Director**

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

Sd/-
Vipul Girotra
(Partner)
Membership No. 084312

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

Sd/-
Arun Agarwal
(Partner)
Membership No. 082899

Place : New Delhi

Date : 30/5/2013

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Annexure-I

Consolidated Cash Flow Statement for the year ended 31st March 2013

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

		2012-13 (₹ in Million)	2012-13 (₹ in Million)
A.	**Cash Flow from Operating Activities**		
	Net profit before Tax	**(53,035.64)**	**(40,384.31)**
	Adjustment for:		
	Prior period adjustment (net)	(38.82)	(502.81)
	Profit on sale of fixed assets	(42.04)	(35.97)
	Loss on sale of fixed assets	50.53	181.82
	Depreciation & Amortisation	14,966.49	15,105.28
	Finance Cost	11,808.68	9,499.85
	Interest Income	(618.09)	(736.08)
	Operating cash profit/ (loss) before working capital changes	**(26,908.89)**	**(16,872.21)**
	Adjustment for:		
	Trade and other receivables	(6,017.42)	(4,538.19)
	Inventories	188.66	241.89
	Trade and other payables	28,941.86	13,501.97
	Cash generated from operations	(3,795.79)	(7,666.54)
	Direct Taxes paid/adjusted (Net)	367.07	570.60
	Net Cash Flow from Operating Activities	**(3,428.73)**	**(7,095.94)**
B.	**Cash Flow from Investing Activities**		
	Purchase of fixed assets (including capital WIP)	(7,366.76)	(7,530.85)
	Sale of Fixed Assets	51.60	220.20
	Interest received	879.57	1,209.93
	Investment	2,500.00	-
	Net Cash Flow from Investing Activities	**(3,935.58)**	**(6,100.72)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from borrowings	18,939.31	21,834.65
	Finance Charges (including interest) paid	(11,635.45)	(9,075.59)
	Net Cash Flow from Financing Activities	**7,303.86**	**12,759.07**
D.	**Net Increase/Decrease in Cash and Cash Equivalents**	**(60.45)**	**(437.59)**
	Cash and Cash equivalent as at the beginning of the year	1,341.27	1,778.86
	Cash and cash equivalent as at the end of the year	**1,280.82**	**1,341.27**
	Cash and cash equivalient as at the end of year represented by		
	Cash in hand (including cheques/drafts in hand)	79.40	58.27
	Balance with bank in current account (net of provisions)	1,061.25	845.38
	Balance with bank in Fixed Deposit account	140.16	437.62
	TOTAL	**1,280.82**	**1,341.27**

Note:

Previous year figures have been regrouped/rearranged wherever necessary

For V.K. Dhingra & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(K.A. Sarma)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 000250N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Vipul Gupta)	**(Arun Agarwal)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing
M.No. 084312	M.No. 082899	(Finance)	Director

Place : New Delhi

Date : 30th May, 2013

ANNEXURE TO DIRECTOR'S REPORT

Addendum to Director's Report 2012-13

Replies of Management to Auditors Report with regard to qualifications for the year 2012-13

Auditors Report	Reply of the Management
1. The company has certain balances receivables from and payables to BSNL. The net amount recoverable of ₹19752.26 million is subject to reconciliation and confirmation. In view of non reconciliation/ confirmation and also in view of various pending disputes regarding each other's claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the company. (Also refer point no.11 of note no.34 to the financial statements).	Management has taken up the matter of reconciliation of receivable from and payable to BSNL with D.O.T.
(2) The company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of ₹ 34427.11 million is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the financial statements of the company. (Also refer point no.15 of note no.34 to the financial statements).	Management has taken up the matter of reconciliation and settlement with the Administrative ministry. .

(3) 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 ₹ 1403.63 million instead of actual liability resulting in understatement of current liabilities and losses to that extent. (Also refer point no.16 of note no.34 to the financial statements).	The issue of licence fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is recognized as contingent liability in view of pending reconciliation of IUC charges between both the organizations.
(4) The Company continues to allocate the establishment overheads towards capital works on estimated basis. In view of the basis being not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" issued under the Companies (Accounting Standards) Rules, 2006, the same results into overstatement of capital work in progress/ fixed assets and understatement of losses. The actual impact of the same on the capitalization & losses for year is not ascertainable and quantifiable. (Also refer note no.25 and 28 to the financial statements).	As regards the allocation of over heads in line with AS-10, the MTNL has appointed a consultant and on receipt of his report the necessary action will be taken.

(5) No adjustment has been considered on account of impairment loss during the year, with reference to AS-28 "Impairment of Assets" issued under Companies (Accounting Standards) Rules, 2006. In view of continuous losses over the years resulting into full erosion of net worth of the company and 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 loss and also the carrying value of the cash generating units. (Also refer point no. 38 of note no.34 to the financial statements).	The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2013 there is no impairment. The erosion of net worth is due to as huge pensionary liability provision based on actuarial valuation and not due to the erosion in carrying value or earning potential of CGU assets of MTNL.
(6) Provision for actuarial liability on account of medical expenses for retired employees and continuing employees has not been worked out and provided for as required under AS-15 "Employee Benefits" issued under Companies (Accounting Standards) Rules, 2006. Instead annual insurance premium for the policy taken by the company for this purpose is charged to statement of profit and loss. In the absence of actuarial valuation as on 31.03.2013, we are not in a position to ascertain and quantify the impact thereof on the financial statement. (Also refer point no. 34 of note no.34 to the financial statements).	Medical claim insurance policy has been taken for retired employees/ pensioners as well as for working employees as per the policy of MTNL in that financial year and therefore no liability accrues to MTNL. It is therefore treated as expense in that particular financial year and accounting has been done accordingly.
(7) Insurance claim for the fire loss in Data Center in July, 2009 amounting to ₹ 40 Million has been considered good. However, insurance company has disputed the claim and has informed the	The claim is considered good by the management and the settlement is under active pursuance as per the provisions of the insurance policy

company to consider only the part of the claim which is not accepted by the Company. As the dispute is still pending, we are not in a position to comment on the appropriateness of the claim recoverable being considered as good and the ultimate recovery of the same in full. Pending final outcome of the dispute, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 30(b) of note no.34 to the financial statements).

(8) To work out the liability towards wealth tax, vacant land and guest houses/ inspection quarters are taken at their book values instead of valuation the same as per Wealth Tax Act / Rules resulting into understatement of losses resulting from lower wealth tax and also corresponding understatements of liabilities. In the absence of valuation as at the year end, we are not in a position to ascertain and quantify the impact thereof on financial statements. (Also refer point no. 27 of note no.34 to the financial statements).

The properties have been acquired by the company for its use; hence the same were valued at cost.

(9) Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the financial statements is not ascertainable and quantifiable. (Also refer point no. 24 of note no.34 to the financial statements).

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

(10) Dues from the operators are not taken into account for making provision for doubtful debts. Also no provision for doubtful debts is made for disputed cases

The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in

outstanding for less than 3 years in Basic and for less than 6 months in GSM/ CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified. (Also refer point no. 1(ii)(b) of note no.1 to the financial statements).	constant business relationship with MTNL. As such the treatment given to normal debtors can not be applied in this case. The provision for other debts relating to Basic/GSM/CDMA has been done as per the policy.
(11) (a) In Delhi Unit, reconciliation of balances of customer's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on financial statements cannot be ascertained and quantified at present. (Also refer point no. 15(b) of note no.34 to the financial statements).	The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation. a) In Delhi unit the reconciliation is in progress.
(b) Unlinked credit of ₹ 420.30 million on account of receipts from subscribers against billing by the company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, both assets and liabilities are overstated. (Also refer point no. 15(f) of note no.34 to the financial statements).	(b) Unlinked credits are in the process of reconciliation. Necessary adjustment entries, if any, shall be passed on reconciliation.
(c) The aggregate balance of sundry debtors as per the ageing summary in subsidiary records is lower by ₹ 73.83 million as compared to the balance in general ledger and is under reconciliation. The same has been provided for. Pending reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified. (Also refer point no. 15(g) of note no.34 to the financial statements).	(c) The same is under reconciliation and effect if any will be accounted for accordingly.

(12) In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH; invoice wise reconciliation of the roaming debtors is pending. Pending such reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified. (Also refer point no.42 of note no.34 to the financial statements).	Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis and the firm M/S MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency for around 650 operators. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and no irregularity has been noticed on this account . However efforts are being made to get the reconciliation done to the micro level of invoice also.
(13) Fixed assets are generally capitalized on the basis of completion certificates issued by the engineering department. Due to delays in issuance of the completion certificates, there are cases where capitalization of the fixed assets gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of fixed assets capitalized in the balance sheet cannot be ascertained.	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.
(14) Out of ₹ 2850 million on account of wet lease of infrastructure and other services provided in respect of Commonwealth Games and accounted for in 2010-11, a sum of ₹ 430 million remains unrecovered and unconfirmed. Also the said amount of ₹ 430 million is yet to be approved by the concerned authorities. Pending confirmation, approval or any other document from the concerned authorities to substantiate the claim of	The income was accounted as per the agreement and the minutes of Ministry of Youth Affairs and Sports vide no F-70-128/ 2009-CWG-I dated 17th Nov and 25th Nov 2009. And the works were carried out on the basis of various communications received through mails and letters. The final settlement is, however, pending but the matter is being pursued for early settlement

the company, the recoverability of the amount outstanding is not certain. The company continues to treat the said amount as good for recovery and no provision for doubtful debts has been made for the same. To that extent, loss is understated and current assets are overstated. (Also refer point no. 44 of note no.34 to the financial statements).

(15) Pending reconciliation of income from recharge coupons/ITC cards/prepaid calling cards and stock of such coupons/ cards, the impact thereof on the financial statements cannot be ascertained and quantified.

Reconciliation of such items is ongoing process. The income on the recharge coupons, prepaid calling cards etc. is booked on sale and at the end of accounting period the unspent value of talk time is taken as advance income for appropriate accounting.

(16) On material exchanged with BSNL on barter basis, VAT liability has not been ascertained and provided for. In the absence of detailed information, we are not in a position to comment on the likely impact of the same on the financial statements of the company.

Instructions were issued to the units in F.Y. 2012-13 that the VAT liability is booked and paid in such cases and not to treat them as exchange of material with BSNL. No instance of non compliance has been noticed.

(17) The company had invested ₹1000 million in 8.75% Cumulative Preference Shares of M/S. ITI Limited during the year 2001-02. As per the terms of allotment, the said preference shares were to be redeemed in five equal installments. As per letter no. U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the said preference shares was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. has failed to meet its rescheduled obligation in respect of first installment of ₹ 200 million payable in 2012-13. Since M/s. ITI Ltd. has not complied with even rescheduled

MTNL had invested ₹ 100 crores in 8.75% cumulative preference shares of M/s. ITI Ltd. during the year 2001-02 redeemable in five equal installments of ₹ 20 crores each. Subsequently as per letter no. U-59011-10/ 2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the same was deferred to 2012-13 onwards in five equal installments. M/s. ITI Ltd. Could not make out the payment of its first due installment as the revival package of ITI is yet to be approved by Govt. and the amount is part of the same as per D.O.T. Letter no 20-37/2012-FAC.II dated 10-5-2012. D.O.T. has planned to get the revival package approved by Cabinet by 31-12-2013. In view of the above facts and the

commitments, the company has made a provision for the first installment of ₹ 200 million only instead of providing for full investment of ₹ 1000 million. This has resulted into understatement of losses by ₹ 800 million and overstatement of non current investments by ₹ 600 million and also overstatement of current investments by ₹ 200 million. (Also refer point no. 14 of note no.34 to the financial statements).

amount due is ₹ 20 crores only in 2012-13 the provision for the same is made to reflect the position in accounts.

The issue will be reconsidered in 2013-14 when the approval of cabinet is received for ITI revival package.

(18) Certain works were carried out in earlier years by Mumbai Unit for Defence Network of Govt. of India in respect of alternate communication system. In context of the same following explanations has been given to us:-

"In respect of usage of the same ₹338.3 million has been received at Corporate Office. Out of this ₹59.82 million has been decapitalised in 2011-12 accounts and ATD sent to Corporate Office. The AT for the balance amount of ₹278.48 million has been received from Corporate Office in 2012-13. Out of this amount ₹18.98 million has been decapitalised in 2012-13, ₹32.33 million has been reduced from prior period expenses. Balance amount of ₹227.17 million is relating to revenue for usage of the ducts. The work was completed in March-2011, the revenue is to be spread over a period of 18 years which is the life considered for depreciation of Cables. During the year ₹25.24 million has been booked as income and balance of ₹201.93 million is taken as unearned revenue to be recognised as income in the next 16 years."

As regards accounting treatment of the amount received by MTNL and accounted for at MTNL Mumbai in connection with the usage of ducts and Dark fibre, the matter has been taken up with D.O.T. regarding utilization of the resources of MTNL for defense network and accordingly the bills are raised for compensation for the period beyond 31-3-2010. Any accounting treatment / adjustments required, if any, based on the decision of D.O.T. shall be made in current year.

In the absence of any agreement / documentary evidence / third party confirmation in respect of aforesaid accounting treatment / adjustments, we are not in a position to comment on the correctness or otherwise of such accounting treatment. (Also refer point no. 21 of note no.34 to the financial statements).

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

The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL.

(20) During the year Department of Telecommunication (DOT)has raised a demand of ₹ 33131.50 million 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 will need revision by ₹ 1074.40 million on account of rectification of actual usage.

During the year, Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum which is held by MTNL beyond the limit prescribed in the agreement and spectrum given on trial basis is also included in the calculations. Similar demands have been raised by D.O.T against other operators also and that the same have been challenged by them in the court of law and the cases are pending. The Deptt. of Telecom also did not pressurize for the payment since the entire issue may be required to be revisited based on the outcome of the case. Therefore, MTNL has not acknowledged this demand as liability being similarly placed as other operators, and accordingly the same has been included as contingent liability.

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

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

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

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

In the absence of information, the effect of which cannot be quantified, we are unable to comment on the possible impact of the items stated in the point nos.(i), (ii), (iv), (v), (vi), (vii), (viii), (ix), (x), (xi)(a)&(c), (xii), (xiii),(xv), (xvi), (xviii), (xix), (xx) and (xxi) on the financial

statements of the company for the year ended on 31st March 2013.

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),(xi)(b),(xiv) and (xvii) been considered in the financial statements, loss for the year would have been ₹55844.86 million as against the reported figure of ₹53211.23 million in the Statement of Profit and Loss and Trade receivables under the head Current Assets would have been ₹ 3389.68 million as against the reported figure of ₹3809.98 million, Short Term Loans and Advances under the head Current Assets would have been ₹7167.60 million as against the reported figure of ₹ 7597.60 million, Non Current Investments and Current Investments would have been ₹1419.79 million and ₹nil million as against the reported figures of ₹ 2019.79 million and ₹ 200 million respectively, Other Current Liabilities would have been ₹29876.50 million as against the reported figure of ₹28893.17 million in the Balance Sheet.

MTNL

Confidential

क्रमांक .....

No.

कार्यालय

महानिदेशक लेखापरीक्षा, डाक व दूरसंचार

शाम नाथ मार्ग, (समीप पराना सचिवालय), दिल्ली-110402

OFFICE OF THE

Director General of Audit, Post & Telecommunications

Sham Nath Marg, (New Old Secretariat), Delhi-110402

सत्यमेव जयते

To

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

Subject: Comments of Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March, 2013.

Sir,

I am to forward herewith the comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the annual accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March 2013 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

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

Encl(s): As above

Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the annual accounts of Mahanagar Telephone Nigam Limited (MTNL) for the year ended 31 March 2013.

The preparation of financial statements of Mahanagar Telephone Nigam Limited (MTNL), for the year ended 31 March 2013 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the Management of the company. The Statutory Auditors appointed by the Comptroller & Auditor General of India under section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the Standards on Auditing prescribed by their professional body, the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 30 May 2013.

I, on behalf of the Comptroller and Auditor General of India, have conducted a supplementary audit under section 619(3)(b) of the Companies Act, 1956 of the financial statements of Mahanagar Telephone Limited for the year ended 31 March 2013. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to enquiries of the statutory auditor and company personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

General Comments

1. Notes to Accounts (Note 34)

MTNL has made a disclosure in Para 20(e) to notes to accounts that Ministry of Communication & IT, Department of Telecommunications vide their letter No. 40-29/2002-Pen (T) dated 29 August 2002 had agreed in principle that the payment of pensionary benefits including the family pension to the Government employees absorbed in MTNL and who had opted for the Government Scheme of pension shall be paid by the Government.

MTNL has not disclosed the fact in the notes that an amount of ₹ 59250.50 million has been calculated and communicated to DOT in January 2013 as Government contribution for creation of a Government Pension Fund for Government employees absorbed in MTNL. An amount of ₹ 13502.30 million as claimed has been accounted. However, interest amounting to ₹ 46895.20 million included in ₹ 59250.50 million has not been accounted as there is no clarity on interest claim from Administrative Ministry. Thus the disclosure in notes to account is deficient and incomplete to this extent.

2. Non-reconciliation of balances with Bharat Sanchar Nigam Ltd.

As per accounts of MTNL for the year 2012-13, the amount recoverable from and the amount payable to BSNL has been disclosed as ₹36097.39 Million and ₹16345.13 Million respectively, resulting in net recoverable amount of ₹19752.26 Million from BSNL. However, as per the annual accounts of BSNL for the year 2012-13 the amount recoverable from and the amount payable to the company are ₹33345.37 Million and ₹9774.70 Million respectively, resulting in a net recoverable amount of ₹23570.67 Million from MTNL. Thus, there is a net difference of ₹43,322.93 Million in the receivable/payable amounts between these two government companies under the same Ministry.

For and on the behalf of the

Comptroller and Auditor General of India

Sd/-

(R.B. Sinha)

Principal Director of Audit (P&T)

Place: Delhi

Date: 09 September, 2013

ANNEXURE TO DIRECTOR'S REPORT

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Annual Accounts of Mahanagar Telephone Nigam Limited for the year ended 31st March 2013 and Management's Replies thereon.

Comments of CAG of India

General Comments

1. Notes to Accounts (Note 34)

1. MTNL has made a disclosure in Para 20(e) to notes to accounts that Ministry of Communication & IT, Department of Telecommunications vide their letter No. 40-29/2002-Pen (T) dated 29 August 2002 had agreed in principle that the payment of pensionary benefits including the family pension to the Government employees absorbed in MTNL and who had opted for the Government Scheme of pension shall be paid by the Government.

   MTNL has not disclosed the fact in the notes that an amount of ` 59250.50 million has been calculated and communicated to DOT in January 2013 as Government contribution for creation of a Government Pension Fund for Government employees absorbed in MTNL. An amount of ₹ 13502.30 million as claimed has been accounted. However, interest amounting to ₹ 46895.20 million included in ₹ 59250.50 million has not been accounted as there is no clarity on interest claim from Administrative Ministry. Thus the disclosure in notes to account is deficient and incomplete to this extent.

The DOT has given commitment vide GOI Ministry of Communication & IT Department of Telecom vide letter No. 40-29/2002-Pen(T) dated 29th August, 2002 that it has been agreed in principle that the payment of pensionary benefits including the family pension to the government employees absorbed in MTNL and who have opted for government scheme of pension shall be paid by the government. The exact modalities in this regard are being worked out by Department of Pension and Pensioners welfare. However as there is no clarity about interest claim from administrative ministry, no interest is accounted for in the absence of specific directions on this issue including the rate of interest although the communication of interest calculation is made to DOT for consideration. The same will be accounted for as and when the settlement with interest alongwith the decision on rate of interest is agreed to by DOT. As the disclosure in the notes to accounts is to be made based on the position obtaining with reference to any specific order of Govt, with regard to interest. Therefore no such disclosure is required which is also in accordance with para 33 of AS-29 on pro visions, contingent liabilities and contingent assets.

2. Non-reconciliation of balances with Bharat Sanchar Nigam Ltd.

As per accounts of MTNL for the year 2012-13, the amount recoverable from and the amount payable to BSNL has been disclosed as ₹36097.39 Million and ₹16345.13 Million respectively, resulting in net recoverable amount of ₹19752.26 Million from BSNL. However, as per the annual accounts of BSNL for the year 2012-13 the amount recoverable from and the amount payable to the company are ₹33345.37 Million and ₹9774.70 Million respectively, resulting in a net recoverable amount of `23570.67 Million from MTNL. Thus, there is a net difference of ₹43,322.93 Million in the receivable/payable amounts between these two government companies under the same Ministry.

The matter for reconciliation with BSNL has been taken up by MTNL with administrative ministry vide its letter dated 21.11.2012 and 19.01.2013. DOT vide letter dated 25.06.2013 has constituted a high level committee consisting representative of DOT, MTNL and BSNL to resolve the issues relating to carriage charges, IUC, infrastructure charges, roaming charges and enterprise business, etc. Already the committee have made recommendations in respect of some of the issues. Accordingly the reconciliation is in progress, impact if any, will be accounted in the books of; accounts only on completion of the reconciliation between both the companies. In the meantime provision for amounts considered receivable and payable from BSNL based on recorded data and approved rates, have been properly made in the books of accounts.

For & on behlf of C.&A.G. of India

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

For and on behalf of the Board

Sd/-
A.K. Garg
CMD, MTNL

MTNL

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1.	Name of the Subsidiary Company	Millennium Telecom Ltd.(MTL)
2.	Financial Year of MTL ended on	31st March, 2013
3.	Extent of MTNL's interest in MTL at the end of financial year 2012-13	100%
4.	Net aggregate amount of MTL's profit (Loss) so far as it concern the members of MTNL and is not dealt within the accounts of MTNL	
	i) For the F.Y. of MTL ended on 31st March 2013	₹-2019378
	ii) For previous F.Y.s of MTL since it became subsidiary	₹ 20297788
5.	Net aggregate amount of MTL's profit (Loss) so far as it concern the members of MTNL and is dealt within the accounts of MTNL	
	i. For the F.Y. of MTL ended on 31st March 2013	Nil
	ii) For previous F.Y.s of MTL since it became subsidiary	Nil
6.	Where the Financial Year(s) of MTL does not coincide with that of MTNL, then:	Not Applicable
	(a) Change in MTNL's interest in MTL between the end of F.Y. of MTNL and that of MTL	
	(b) Details of material changes which have occured between the end of F.Y of MTNL and that of MTL in respect of	
	i. MTL's Fixed Assets'	
	ii. Its investments;	
	iii. The moneys lent by it	
	iv. The moneys borrowed by it for any purpose other that of meeting current liabilities	

For and on behalf of Mahanagar Telephone Nigam Limited

sd/-	sd/-	sd/-	sd/-
(S.R. Sayal)	**(K.A. Sarma)**	**(P.K. Purwar)**	**(A.K.Garg)**
Company Secretary	DGM (Accounts)	Director (Finance)	Chairman & Managing Director

Place: New Delhi

Date: 2nd August, 2013

MTNL

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANY

1.	Name of the Subsidiary Company	Mahanagar Telephone (Mauritius) Ltd.(MTML)
2.	Financial Year of MTML ended on	31st March, 2013
3.	Extent of MTNL's interest in MTML at the end of financial year 2012-13	100%
4.	Net aggregate amount of MTML's profit (Loss) so far as it concern the members of MTNL and is not dealt within the accounts of MTNL	
	a. For the F.Y. of MTML ended on 31st March 2013	₹ 11559762
	b. For previous F.Y.s of MTML since it became subsidiary	₹(73175353)
7.	Net aggregate amount of MTML's profit (Loss) so far as it concern the members of MTNL and is dealt within the accounts of MTNL	
	i) For the F.Y. of MTML ended on 31st March 2013	Nil
	ii) For previous F.Y.s of MTML since It became subsidiary	Nil
8.	Where the Financial Year(s) of MTML does not coincide with that of MTNL, then:	Not Applicable
	(a) Change in MTNL's interest in MTML between the end of F.Y. of MTNL and that of MTML	
	(b) Details of material changes which have occured between the end of F.Y of MTNL and that of MTML in respect of	
	i) MTML's Fixed Assets'	
	ii) Its investments;	
	iii) The moneys lent by it	
	iv) The moneys borrowed by it for any purpose other that of meeting current liabilities	

For and on behalf of Mahanagar Telephone Nigam Limited

sd/-	sd/-	sd/-	sd/-
(S.R. Sayal)	**(K.A. Sarma)**	**(P.K. Purwar)**	**(A.K.Garg)**
Company Secretary	DGM (Accounts)	Director (Finance)	Chairman & Managing Director

Place: New Delhi
Date: 2nd August, 2013

MTNL

MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your company have pleasure in presenting the 13th Annual Report of your Company together with Statement of Accounts and Auditors Report for the period ended on 31st March, 2013 and report as under:

FINANCIAL PERFORMANCE OF THE COMPANY FOR THE FINANCIAL YEAR 2012-13

Your company has suffered a Net loss of ₹2,019,378 for the financial year ended 31st March, 2013 as against the Net Loss of ₹19,98,290/- during the last year.

The company has earned other Income (Interest from Bank Fixed Deposit) amounting to ₹20,11,398/- as against last year's amount of ₹18,09,676/-during the last year.

OPERATIONS HIGHLIGHTS

MTL was formed by MTNL as its wholly owned subsidiary company basically for providing internet and other value added services. During the financial year 2012-13, MTL has no income from operations. The Board of MTL has decided to enter into other lines of Business and for that purpose, MTL may bid in consortium/JV with MTNL leveraging on financial and experience strength of MTNL, where MTNL may be the lead partner and MTL be the Technical or support partner or vice-versa as the requirement may be. For this it has been decided that a standard consortium/JV agreement will be signed between the two companies. MTL may be permitted to participate in any tender in consortium/JV with MTNL, where profitability is 5% or more. For projects, having profitability less than 5%, permission of MTNL management shall be sought by MTL on case by case basis. Further the Board of MTL has decided to request MTNL to allow MTL to participate in the various tenders floated by it after giving MTL preferential treatment like exemption from payment of Tender document fee, EMD and Performance Bank Guarantee, exemption/relaxation in eligibility requirement on Financial, Experience or any other eligibility criteria defined in any tender. MTL is also planing to take sales & distribution of MTNL's Products & Services and enter into FTTH Service, segment of MTNL on revenue share Model.

In addition, MTL will look forward to take any turnkey project for providing telecom solutions to any customer within India & overseas market and offer consultancy Service in Telecom domain.

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

SHARE CAPITAL

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

DIVIDEND

In the absence of any operating income, the Board of Directors has not considered it prudent to recommend any dividend for the year ended on 31.03.2012.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Sec 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby confirm that:

i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. They 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;

iii. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities

iv. They have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

Being a service providing organization, the relevant rules in this regard are not applicable to your Company.

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, there was no foreign exchange earnings and expenditure.

PARTICULARS OF EMPLOYEES

During the year under report, there was no employee who was in receipt of remuneration in excess of limits prescribed under the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees), Rules, 1975. It may be mentioned here that your company has not recruited any staff and all the work of the Company is being looked after by the officers of MTNL (the holding company) without any remuneration burden on the Company.

DIRECTORS

Shri N.K.Joshi continued to be the Govt Nominee Director of your company.

The following changes took place amongst the Board of Directors during the period from last Annual General Meeting till date:-

1) Shri S.P Pachauri has Ceased to be the Nominee Director of MTNL w.e.f 21.12.2012

2) Shri Kuldeep Singh Ceased to be the Nominee Director of MTNL

3) Smt Anita Soni Ceased to be the Nominee Director of MTNL

4) Shri Peeyush Aggarwal , Shri Sunil Kumar and Shri Pankaj Yadav have been appointed as Nominee Directors of MTNL, w.e.f. 25-07-2013

5) Shri A.K. Garg ceased to be Nominee Director of MTNL w.e.f 25-07-2013

CHIEF OPERATING OFFICER

Shri Sanjeev Kumar, Addl.GM (NB), MTNL (Delhi Unit) has been appointed as the Chief Operating Officer (COO) of the company with effect from 01-06-2013 in place of Shri N.K. Jain.

COMPLIANCE CERTIFICATE

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

AUDITORS

M/s A.M. Jain & Co., Chartered Accountants has been appointed as Statutory Auditors of your company by Comptroller & Auditors General of India(C &AG) for the year 2013-14 in place of M/s D.N. Kubal & Co, Chartered Accountants.

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.

For and on behalf of Board of Directors

Sd/-

(Sunil Kumar)
CHAIRMAN & DIRECTOR

Place : New Delhi

Date : 16 August, 2013

A.M. JAIN & CO.
Chartered Accountants

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

INDEPENDENT AUDITOR'S REPORT

To,

The members of **MILLENIUM TELECOM LIMITED**

Report on Financial Statements

1. We have audited the accompanying financial statements of Millennium Telecom Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss account and Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements:

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

Auditor's Responsibility

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

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

considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

4. In our opinion and to the best of our information and according to the explanations given to us and subject to **Note No.19.7 & 19.10** in financial statement, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;

   b) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and

   c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

5. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.

6. As required by section 227(3) of the Act, we report that:

   a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books except that minute books and other statutory registers are maintained at Delhi Office instead of at Registered Office in Mumbai as required by law.

c) the Balance Sheet and Statement of Profit and Loss dealt with by this Report are in agreement with the books of account;

d) in our opinion, the Balance Sheet and Statement of Profit and Loss comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;

e) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

f) Since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

Other Matters: If any.

Nil

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

SD/-

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

Place: Mumbai

Date: 28 May, 2013

Annexure referred to in Paragraph 5 of our Report of even date to the Members of Millennium Telecom Limited on the accounts for the year ended 31st March 2013.

1 In respect of Fixed Assets:

a) We are informed that the Company has maintained the Fixed Asset register but the same was not updated showing deprecation and WDV of each asset.

b) As explained to us, the fixed assets have been not been physically verified by the management during the year.

c) As per the information and explanation given to us, the company has not disposed of substantial part of fixed assets during the year.

2. In respect of Inventories:

a) As the company is not dealing in any goods, reporting on clause 4 (ii) (a) to (c) does not appy to the company.

3. In respect of loans, secured or unsecured, granted or taken by the company to/from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956:

a) The company has granted unsecured loan to one party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum balance outstanding during the year was ₹1,74,213/-.

b) In our opinion and according to the information and explanations given to us, the said loans are interest free and other terms and conditions on which the said loans have been taken are not prima facie prejudicial to the interest of the company.

c) The said unsecured loans given by the company to its holding Company MTNL are repayable on demand and therefore the question of overdue amount does not arise.

d) The company has taken unsecured loans from its holding Company MTNL, the outstanding balance as on 31st March, 2013 is ₹56,77,232. As per the explanation given to us by the management, the Company has maintained register under section 301 of the Companies Act, 1956 which is kept at Delhi office and not produced before us.

e) In our opinion and according to the information and explanations given to us, the said loans are from its holding Company MTNL, therefore rate of interest and other terms and conditions does not apply.

f) As the Company has received unsecured interest free loan from its holding Company MTNL, therefore there is no repayment schedule, no interest payable. These loans are payable on demand so there is no overdue amount.

4. In our opinion and according to information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness in internal controls.

5. In respect of transactions covered under section 301 of the Companies Act, 1956:

   a) According to the information and explanations given to us, we are of the opinion that transactions that need to be entered into the register required to be maintained u/s 301 of the Companies Act, 1956 are duly entered at its Delhi office and the register is not produced before us.

   b) In reply to the query of Government Auditors for 2006-2007 the Company has promised to produce the register at Mumbai office for verification of the Auditor, but the Company has not produced the same before us.

   c) Since register maintained u/s 301 are not available for verification, we unable to comment whether the terms & conditions and prices of transactions made in pursuance of contracts or arrangements entered in the register maintained under section 301 are reasonable.

6. In our opinion and according to the information given to us, the company has not accepted any deposits from the public within the meaning of section 58 A or 58 AA or any other relevant provisions of the Companies Act, 1956.

7. The Company has no formal internal audit system. However, its control procedures ensure reasonable internal checking of its financial and other records.

8. The Central Government has not prescribed maintenance of Cost Records under section 209 (1) (d) of the Companies Act, 1956 for any products of the company.

9. In respect of statutory dues:

   a) The company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, cess, and other material statutory dues applicable to it except **Profession tax liability of ₹28788** for a period of more than six months from the date they became payable.

   b) According to the information and explanations given to us, there are no dues of income tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess outstanding on account of any dispute **except Income tax liability of ₹23481629 pending with Commissioner of Income Tax & ITAT.**

10. The company does not have accumulated losses at the end of the financial year but it has incurred cash losses in the current year and in immediately preceding financial year.

11. In our opinion and according to the information and explanations given to us, the company has not defaulted in repayment of dues to financial institution, bank or debenture holders.

12. In our opinion and according to the information and explanations given to us, no loans and advances have been granted by the company on the basis of security by way of pledge of shares, debentures and other securities.

13. In our opinion, the company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, clause 4 (xiii) of the Companies (Auditors' Report) Order 2003 is not applicable to the company.

14. The company does not have activities pertaining to trading in securities, debentures and other investments, therefore comment on clause 4 (xiv) is not required.

15. On the basis of the information and explanations given to us the company has not given any guarantees for loans taken by others from banks or financial institutions.

16. During the year the company has not taken any term loan and hence comment on Clause 4 (xvi) of the said order is not required.

17. According to the information and explanations given to us and on an overall examination of the balance sheet of the company, we report that the no funds raised on short-term basis have been used for long term investment.

18. According to the information and explanations given to us, during the year, the company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.

19. During the year covered by our audit report, the company has not issued any debentures.

20. The company has not raised any money by way of public issue during the year.

21. In our opinion and according to the information and explanations given to us, no fraud on or by the company has been noticed or reported during the year.

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

Arun Kumar Jain
Partner
M.No.038983

Place: Mumbai
Dated : 28 May, 2013

MTNL

MILLENNIUM TELECOM LIMITED

BALANCE SHEET AS AT 31st MARCH 2013

PARTICULARS	NOTE NO.	AS AT 31.03.2013 (₹)	AS AT 31.03.2012 (₹)
I. EQUITY & LIABILITIES :			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	**3**	28,758,800	28,758,800
(b) Reserves & Surplus	**4**	19,273,591	21,292,969
		48,032,391	**50,051,769**
3. Non-current liabilities			
(a) Deferred tax liabilities (net)	**20.2**	6,435	34,965
		6,435	**34,965**
4. Current liabilities			
(a) Short-term borrowings	5	5,677,232	5,252,710
(b) Trade payables	6	3,046,349	2,704,861
(c) Other current liabilities	7	5,702,580	4,936,690
		14,426,161	**12,894,261**
		62,464,987	**62,980,995**
B. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	8	366,558	514,040
		366,558	**514,040**
(b) Long-term loans and advances	9	17,025,736	14,208,304
(c) Other non-current assets	10	6,792,600	9,056,800
		23,818,336	**23,265,104**
2 . Current assets			
(a) Trade receivables	11	13,637,395	13,637,395
(b) Cash and cash equivalents	12	24,259,063	25,387,873
(c) Short-term loans and advances	13	174,213	176,583
(d) Other current assets	14	209,422	-
		38,280,093	**39,201,851**
TOTAL		**62,464,987**	**62,980,995**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	**1, 2, 19 to 21**		

As per our report attached

For M/s A.M. Jain & Co.
Chartered Accountants
Firm's Registration No.: 103883W

CA ARUN KUMAR JAIN
Partner
Membership No. 038983

Place : Mumbai
Date : 28 May, 2013

for and on behalf of the Board of Directors

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

Sd/-
(Anita Soni)
Director

Sd/-
(N.K. Jain)
Chief Operation Officer

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

Place : New Delhi
Date : 28 May, 2013

MTNL

MILLENNIUM TELECOM LIMITED

STATEMENT OF PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2013

PARTICULARS	NOTE NO.	FOR THE YEAR ENDED 31.03.2013 (₹)	FOR THE YEAR ENDED 31.03.2012 (₹)
1 Other income	15	2,011,398	1,809,676
2 **Total revenue (1+2)**		**2,011,398**	**1,809,676**
3 **Expenses**			
(a) Finance costs	16	-	2,588
(b) Depreciation and amortisation expense	8	147,482	216,689
(c) Other expenses	17	1,647,624	634,138
Total expenses		**1,795,106**	**853,415**
4 **Profit / (Loss) before exceptional items and tax (2 - 3)**		**216,292**	**956,261**
5 Exceptional items	18	2,264,200	2,264,200
6 Profit / (Loss) before tax (7 + 8)		**-2,047,908**	**-1,307,939**
7 **Tax expense**:			
(a) Current tax expense for current year		-	367,000
(b) Current tax expense relating to prior years		-	368,567
(c) Net current tax expense		-	735,567
(d) Deferred tax		-28,530	-45,216
		-28,530	**690,351**
11 Profit / (Loss) from continuing operations (9 +10)		**-2,019,378**	**-1,998,290**
B DISCONTINUING OPERATIONS			
12. iProfit / (Loss) from discontinuing operations (before tax)		-	-
12. iiGain / (Loss) on disposal of assets / settlement of liabilities attributable to the discontinuing operations		-	-
		-	-
12.iii Add / (Less): Tax expense of discontinuing operations		-	-
13 Profit / (Loss) from discontinuing operations (12.i+12.ii+12.iii)		-	-
C TOTAL OPERATIONS			
8 Profit / (Loss) for the year (11 + 13)		**-2,019,378**	**-1,998,290**
9.i Earnings per share (Before Exceptional item) (of ₹10/- each) :			
(a) Basic		0.09	0.09
(b) Diluted		0.09	0.09
9.ii Earnings per share (After Exceptional item) (of ₹10/- each):			
(a) Basic		(0.70)	(0.69)
(b) Diluted		(0.70)	(0.69)
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	**1, 2, 20 to 21**		

As per our report attached
For M/s A.M. Jain & Co.
Chartered Accountants
Firm's Registration No.: 103883W

CA ARUN KUMAR JAIN
Partner
Membership No. 038983
Place : Mumbai
Date : 28 May, 2013

for and on behalf of the Board of Directors

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

Sd/-
(Anita Soni)
Director

Sd/-
(N.K. Jain)
Chief Operation Officer

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

Place : New Delhi
Date : 28 May, 2013

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. Following are the list of services which are intended to be provided by MTL in INDIA. E-Tendering services (Online Tendering Services), Sale of ISP packs and collection from Cyber café services, Dial up services, ISDN Dial Up services, Lease Line service, Web page hosting service, Web server hosting service, Internet kiosks, On-line registration of new telephone connection, presentation and bill payment services, Internet Access on Broadband, Portal Services, Virtual Private Network (VPN) services, Certification Gateway for digital signatures to enable E-commerce transactions, High speed ATM services for LAN interconnection, Video on demand, Video Conferencing, Telemedicine, Distance Education and Bandwidth on demand, Data Centre / Call Center.

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

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

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

2.4 Cash flow statement

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

2.5 Depreciation and amortisation

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

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

2.6 Other income

Interest income is accounted on accrual basis.

2.7 Tangible fixed assets

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

2.8 Employee benefits

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

2.9 Segment reporting

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

2.10 Earnings per share

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

2.11 Impairment of assets

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

2.12 Provisions and contingencies

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

2.13 Taxes on income

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

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

MTNL

MILLENNIUM TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 3 '
SHARE CAPITAL

Particulars	As at 31 March, 2013		At at 31 March, 2012	
	Number of Share	(RUPEES)	Number of Shares	(RUPEES)
(a) **Authorised**				
Equity shares of ₹10 each with voting rights	100,000,000	1,000,000,000	100,000,000	1,000,000,000
(b) Issued				
Equity shares of ₹10 each with voting rights	2,875,880	28,758,800	2,875,880	28,758,800
(c) Subscribed and fully paid up				
Equity shares of ₹10 each with voting rights	2,875,880	28,758,800	2,875,880	28,758,800
Total	**2,875,880.00**	**28,758,800.00**	**2,875,880.00**	**28,758,800.00**

Particulars

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

Particulars	Opening Balance	Fresh Issue/ Bonus /ESOP	Conversion/ Buy Back	Closing Balance
Equity shares with voting rights Issued, Subscribed and fully paid up				
Year ended 31 March, 2013				
- Number of shares	2,875,880	-	-	2,875,880
- Amount (₹)	28,758,800	-	-	28,758,800
Year ended 31 March, 2012				
- Number of shares	2,875,880	-	-	2,875,880
- Amount (₹)	28,758,800	-	-	28,758,800

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

Particulars	Equity shares with voting rights Number of shares
As at 31 March, 2013	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880
As at 31 March, 2012	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880

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

Class of shares/Name of shareholder	At at 31 March, 2013		At as 31 March, 2012	
	Numbers of shares held	% holding in that class of shares	Numbers of shares held	% holding in that class of shares
Equity shares with voting rights				
Mahanagar Telephone Nigam Limited	2,875,880	100	2,875,880	100

NOTE' 4 '
Reserves and Surplus

Particulars	AS AT 31.03.2013 (RUPEES)	AS AT 31.03.2012 (RUPEES)
(i) Revenue Reserve		
Opening Balance	995,181	995,181
Add: Additions / transfers during the year	-	-
Less: Utilisations / transfers during the year	-	-
Closing balance	995,181	995,181
(ii) Surplus / (Deficit) in Statement of Profit and Loss		
Opening balance	20,297,788	22,296,078
Add: Profit / (Loss) for the year	-2,019,378	-1,998,290
Closing balance	18,278,410	20,297,788
Total	**19,273,591**	**21,292,969**

Note 5
Short-term borrowings

(a) Loans and advances from related parties	5,677,232	5,252,710
Unsecured		
Total	**5,677,232**	**5,252,710**

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

Loans and advances from related parties:		
MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	5,677,232	5,252,710
(Loan accepted during the year ₹453841/- P.Y.₹3433464/-)		
Total - Loans and advances from related parties	5,677,232	5,252,710

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

Note 6
Trade payables

Trade payables:		
(a) Other than Acceptances	3,046,349	2,704,861
Total	**3,046,349**	**2,704,861**

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

Note 7
Other current liabilities

(a) Other payables		
(i) Statutory remittances (Professional Tax, Service Tax, TDS payable etc.)	815,211	805,407
(ii) Trade / security deposits received (Axiom France)	4,887,369	4,131,283
Total	**5,702,580**	**4,936,690**

MTNL

NOTE' 8 '
Fixed assets

A. Tangible assets	Gross block				
	Balance as at 1st April, 2012	Additions	Disposals	other adjusments	Balance as at 31 March 2013
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Owned Assets					
(a) Plant and Equipment	82,639	-	-	-	82,639
(b) Furniture and Fixtures	474,252	-	-	-	474,252
(c) Vehicles	636,216	-	-	-	636,216
(d) Office equipment	340,610	-	-	-	340,610
(e) Electrical Fittings	62,215	-	-	-	62,215
(f) Others (Computers)	2,158,850	-	-	-	2,158,850
Total	**3,754,782**	**-**	**-**	**-**	**3,754,782**
Previous year	**3,754,782**	**-**	**-**	**-**	**3,754,782**

A. Tangible assets	Accumulated Depriciation and impairment			Net Block	
	Balance as at 1st April, 2012	Depreciation/ amortisation expense for the year	Balance as at 31 March 2013	Balance as at 31 March, 2013	Balance as at 31 March 2012
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Owned Assets					
(a) Plant and Equipment	82,639	-	82,639	-	-
(b) Furniture and Fixtures	282,593	30,020	312,613	161,639	191,659
(c) Vehicles	574,271	60,441	634,712	1,504	61,945
(d) Office equipment	144,417	16,180	160,597	180,013	196,193
(e) Electrical Fittings	34,876	3,938	38,814	23,401	27,339
(f) Others (Computers)	2,121,946	36,903	2,158,849	1	36,904
Total	**3,240,742**	**147,482**	**3,388,224**	**366,558**	**514,040**
Previous year	**3,024,053**	**216,689**	**3,240,742**	**514,040**	**730,729**

Particulars

B. Depreciation and amortisation relating to continuing operations:

Particulars	For the year ended 31 March, 2013	For the year ended 31 March, 2012
Depreciation and amortisation for the year on tangible assets	147,482	216,689
Depreciation and amortisation for the year on intangible assets	-	-
Less: Utilised from revaluation reserve	-	-
Depreciation and amortisation relating to discontinuing operations	-	-
Depreciation and amortisation relating to continuing operations	147,482	216,689

Notes:

(i) There are no amounts written off on reduction of capital or revaluation of assets or sums added to assets on revaluation during the preceding 5 years:

(ii) There are no assets acquired under hire purchase agreements:

(iii) There are no assets jointly owned by the Company:

NOTE' 9 '
Long-term loans and advances

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
a) Advance income tax # (net of provisions of ₹ 9059525 (As at 31 March, 2012 of ₹ 8907525) - Unsecured, considered good	17,025,736	14,208,304
Total	**17,025,736**	**14,208,304**

NOTE' 10 '
Other non-current assets

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
(a) Others		
(i) Others: Sub Marine Cable Project Initial Expenses	6,792,600	9,056,800
Total	**6,792,600**	**9,056,800**

NOTE' 11'
Trade receivables

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Unsecured, considered good due from MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	13,637,395	13,637,395
Unsecured, considered good due from others	-	-
Doubtful	273,971	273,971
	13,911,366	13,911,366
Less: Provision for doubtful trade receivables	273,971	273,971
Total	**13,637,395**	**13,637,395**

NOTE' 12'
Cash and Cash equivalents

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
Balances with banks		
(i) In current accounts	1,997,213	936,033
(ii) In deposit accounts (Refer Note (i) below)	22,261,850	24,451,840
Total	**24,259,063**	**25,387,873**
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is	24,259,063	25,387,873

NOTE' 13 '
Short-term loans and advances

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
(a) Loans and advances to related parties		
Unsecured, considered good from		
MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	174,213	174,213
Less: Provision for doubtful loans and advances	-	-
	174,213	**174,213**
(b) Prepaid expenses - Unsecured, considered good (Insurance premium)	-	2,370
Total	174,213	**176,583**

NOTE' 14 '
Other current assets

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
a) Accruals		
(i) Interest accrued on deposits	-	-
b) Service Tax Credit Receivable	8,034.00	
c) TDS Assests F.Y 2012-13	201,388.00	-
Total	**209,422.00**	**-**

NOTE' 15 '
Other Income

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
(a) Interest income (Refer Note (i) below)	2,011,398	1,809,676
Total	**2,011,398**	**1,809,676**

Notes:

(i) Interest income comprises:		
Interest from banks on:		
deposits	2,011,398	1,809,676
Total - Interest income	**2,011,398**	**1,809,676**
(ii) Details of Prior period items (net)		
Prior period income (give details)	-	-
Total	**-**	**-**

NOTE' 16 '
Finance costs

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
(a) Interest expense on others		
- Interest on delayed payment of Profession tax	-	2,588
Total	**-**	**2,588**

NOTE' 17 '
Other expenses

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
Repairs and maintenance - Machinery	-	3,950
Insurance	3,000	-
Rates and taxes	3,500	2,500
Travelling and conveyance	-	11,612
Printing and stationery	2,861	430
Licence Fees	202,294	
Legal and professional	429,431	474,544
Payments to auditors (Refer Note (i) below)	65,000	73,034
Provision for doubtful trade and other receivables, loans	-	58,200
Exchange Fluctuation Loss	756,086	-
Prior period items	179,234	-
Miscellaneous expenses	6,218	9,868
Total	**1,647,624**	**634,138**
Notes:		
(i) Payments to the auditors comprises (net of service tax input credit, where applicable):		
As auditors - statutory audit	40,000	40,450
For other services Certification Fees	25,000	32,584
Total	**65,000**	**73,034**

NOTE' 18 '
Exceptional Items

Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
20% of of initial expenses of submarine cable project written off #	2,264,200	2,264,200
Total	**2,264,200**	**2,264,200**

 # Note: 1/5th of submarine cable project initial expenses incurred 4 years ago written off prudentially. The project is not abandoned by the company officially. However due to delay in implementation of project, the company has decided that it is prudentially wise to write off the expenses in five years.

MILLENNIUM TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 19 '

Additional information to the financial statements

Note:	Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
19.1	**Contingent liabilities and commitments (to the extent not provided for)**		
(i)	Contingent liabilities		
	(a) Claims against the Company not acknowledged as debt (give details)		
	"As Regards Income Tax of ₹ 5983525/- pertaining to Assessment year 2003-2004, ₹34,96,764/- pertaining to Assessment Year 2004-2005 & penalty of ₹2817432, ₹29,82,670/- pertaining to Assessment Year 2005-2006 and ₹6,34,050/- pertaining to Assessment Year 2007-2008 also penalty of ₹40,55,448/- for Assessment Year 2003-2004 & penalty of ₹26,88,755 for Assessment Year 2005-2006, Income tax of ₹822985/- pertaining to A.Y. 2009-2010 as per the demand notice received from Income Tax Department. The company has filed appeals against the Assessment & penalty Orders and the appeals are pending against Commissioner of Income Tax & ITAT. The company has paid the above income tax under protest."	23,481,629	13,857,687
	(b) Guarantees: Guarantee given by Banks		
	Indian Overseas Bank (PBG) for ISP License valid upto 24.4.14	20,000,000	20,000,000
	Indian Overseas Bank (FBG) for ISP License valid upto 22.8.13	1,000,000	-
(ii)	Commitments		
	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for Intangible assets	4,39,00,000	4,39,00,000
	As Regards of Sub Marine Cable Project, Payment to Consulting Firm M/s Axiom is pending up to ₹4,39,00,000/- out of total contract price ₹5,20,00,000/-.		
19.2	**Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:** The company has no dues to micro and small enterprises during the year ended March 31, 2013 and March 31, 2012 and as at March 31, 2013 and March 31, 2012.		
	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.		
19.3	The information relating to Value of imports calculated on CIF basis, Expenditure in foreign currency, Earnings in foreign exchange & Amounts remitted in foreign currency during the year on account of dividend; is Nil for the company as the company has not done any foreign currency transactions during last 2 years.		
19.4	Details of consumption of imported and indigenous items are Nil for the company as the company has not done any purchase & sale of goods during last 2 years.		

19.5	In the opinion of Board of Directors, current assets, loans & advances, have value on realization in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities has been made in the accounts.
19.6	The payments of ₹1,13,21,000/- made for the purpose of submarine cable project is shown as deferred revenue expenses under other non-current assets since the project is in progress. 1/5th of this expenses incurred 4 years ago written off prudentially. The project is not abandoned by the company officially. However due to delay in implementation of project, the company has decided that it is prudentially wise to write off the expenses in five years.
19.7	The MTNL & BSNL have entered into Joint venture project though the Company for the purpose of submarine cable project vide shareholder agreement dated 16.12.2009. As per para 4.1.1 BSNL and affiliates shall subscribed upto to 50% of equity shares capital (i.e. 1 crore equity shares of ₹10/- each) but B.S.N.L has not contributed for said share. As per para 4.1.2 of the agreement BSNL has agreed to contribute the 50% of the sum of preoperative and preliminary expenses incurred by MTNL is respect of formation of MTL subject to ceiling of ₹34,80,405. The Company has not collected the preliminary and preoprative expenses as per the terms of Joint venture agreement.
19.8	As per 59th Board meeting dated 19.6.2012 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 29.02.2012 intimating thier withdrawal from joint venture and letter of MTL intimating the fact of withdrawal of Joint venture to DOT are not available on record for verification.
19.9	Account balance confirmation and reconciliation not available for transactions and balances with Holding Company MTNL.
19.10'	Company has awarded the consultancy contract of ₹5.20 crores to Axiom France Ltd for Submarine Cable Project. Company has paid ₹0.81 crores against this contract and balance amount shown as contingent liability in note no.19.1. But no invoices, bills or other documents available in respect of actual bills raised by Axiom France towards execution of part contract to ascertain the actual liability of the Company and balance amount of ₹4.39 crores were fully shown as contingent liability. No balance confirmations available from Axiom France is respect of amount due from MTL towards contract charges and EMD appearing in the books.
19.11	No details available for trade payable appearing in Note No.6 towards Outstanding expenses, Sundry Creditors and provision for direct expenses to the tune of ₹26,39861. Further no details available regarding status of Statutory remittances pending as per Note No.7 towards service tax liability of ₹779119 and professional tax liability of ₹26288.We have been informed that service tax payable appearing in the books is not due for payment as the debtors corressponding to the same was not yet realised and service tax is payable on receipt basis for earlier years.
19.12	Detailed break-up not available for provison for income tax ₹8907525 reduced from loans and advances shown in note No.9.
19.13	No confirmation has been received from Sundry Debtors/sundry creditors outstanding.
19.14	No confirmation has been received from Sundry Debtors/sundry creditors outstanding.

MILLENNIUM TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 20 '

Disclosures under Accounting Standards (Contd...)

Note:	Particulars
20.1	**Related party transactions**
20.1.a	**Details of related parties:**

Description of relationship	Names of related parties
Ultimate Holding Company	None
Holding Company	Mahanagar Telephone Nigam Ltd.
Ultimate Holding Company	None
Subsidiaries	None
Fellow Subsidiaries	Mahanagar Telephone Nigam (Mauritius) Ltd
Associates	1. Bharat Sanchar Nigam Ltd. 2. United Telecom Ltd is a joint venture of MTNL. TCIL, TCL and NVPL.MTNL hold 26.68% of shares in UTL. The CMD MTNL is the chairman and Director on the Board of MTL
Key Management Personnel (KMP)	Shri A.K.Garg, Chairman,Shri Kuldip Singh,Director, Smt Anita Soni,Director and Shri S.P.Pachauri, Director, Shri N.K.Jain, COO- No transaction with all of them
Relatives of KMP	No transactions
Company in which KMP / Relatives of KMP can exercise significant influence	No Transactions

Note: Related parties have been identified by the Management.

Details of related party transactions during the year ended 31 March, 2013 and balances outstanding as at 31 March, 2013:

20.1B	Associates Bharat Sanchar Nigam Ltd./ United Telecom Ltd.	Utlimate Holding Co. Mahanagar Telephone Nigam Ltd.	Fellow Subsidiaries Mahanagar Telephone Nigam (Mauritius) ltd.	Total
Finance (including loans and equity contributions in cash or in kind)	0 (0)	424522 (3433464)	0 (0)	424522 (3433464)
Guarantees and collaterals	0 (0)	0 (0)	0 (0)	0 (0)
Management contracts including for deputation of employees	0 (0)	0 (0)	0 (0)	0 (0)
Balances outstanding at the end of the year				
Trade receivables	0 (0)	13,637,395 (13,637,395)	0 (0)	13,637,395 (13,637,395)
Loans and advances	0 (0)	174213 (174213)	0 (0)	174,213 (174,213)
Trade payables	0 (0)	3,046,349 (2,704,861)	0 (0)	3,046,349 (2,704,861)
Borrowings	0 (0)	5677232 (5252710)	0 (0)	5,677,232 (5,252,710)
Provision for doubtful receivables, loans and advances	0 (0)	0 (0)	0 (0)	0 (0)

Note: Figures in bracket relates to the previous year

MTNL

MILLENNIUM TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 20 '

Disclosures under Accounting Standards (Contd...)

Note:	Particulars	As at 31 March, 2013 (RUPEES)	As at 31 March, 2012 (RUPEES)
20.2	**Deferred tax (liability) / asset**		
	Tax effect of items constituting deferred tax liability		
	On difference between book balance and tax balance of fixed assets	6,435	34,965
	Tax effect of items constituting deferred tax liability	6,435	34,965
	Tax effect of items constituting deferred tax assets		
	Others	-	-
	Tax effect of items constituting deferred tax assets	-	-
	Net deferred tax (liability) / asset	**(6,435.00)**	**(34,965.00)**

NOTE' 21 '

Previous year's figures

21 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

As per our report attached

For M/s A.M. Jain & Co.
Chartered Accountants
Firm's Registration No.: 103883W

CA ARUN KUMAR JAIN
Partner
Membership No. 038983

Place : Mumbai
Date : 28 May, 2013

for and on behalf of the Board of Directors

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

Sd/-
(Anita Soni)
Director

Sd/-
(N.K. Jain)
Chief Operation Officer

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

Place : New Delhi
Date : 28 May, 2013

MTNL

MILLENNIUM TELECOM LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2013

Particulars	For the year ended 31 March, 2013		For the year ended 31 March, 2012	
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
A. **Cash flow from operating activities**				
Net Profit / (Loss) before extraordinary items and tax		-2,047,908		-1,307,939
Adjustments for:				
Depreciation and amortisation	147,482		216,689	
Finance costs	-		2,588	
Interest income	-2,011,398		-1,809,676	
Provision for doubtful trade/and other receivables, loans and advances	-		58,200	
Other non-cash charges (Ammortisation of submarine Cable project expenses)	2,264,200	400,284	2,264,200	732,001
Operating profit / (loss) before working capital changes		-1,647,624		-575,938
Changes in working capital:				
Adjustments for (increase) / decrease in operating assets:				
Short-term loans and advances	-		-	
Long-term loans and advances	-2,815,062		-6,852,095	
Other current assets	-209,422		3,757,899	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	341,488		8,034	
Other current liabilities	765,890	-1,917,106	5,088	-3,081,074
Cash generated from operations		-3,564,730		-3,657,012
Net income tax (paid) / refunds		-		-735,567
Net cash flow from / (used in) operating activities (A)		**-3,564,730**		**-4,392,579**
B. Cash flow from investing activities				
Bank balances not considered as Cash and cash equivalents				
- Matured	24,451,840		23,638,580	
Interest received				
- Others Bank FD	2,011,398	26,463,238	1,809,676	25,448,256
Net cash flow from / (used in) investing activities (B)		**26,463,238**		**25,448,256**
C. Cash flow from financing activities				
Proceeds from other short-term borrowings	424,522		3,433,464	
Finance cost	-	424,522	-2,588	3,430,876
Net cash flow from / (used in) financing activities (C)		**424,522**		**3,430,876**

Particulars	For the year ended 31 March, 2013		For the year ended 31 March, 2012	
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		**23,323,030**		**24,486,553**
Cash and cash equivalents at the beginning of the year		936,033		901,320
Cash and cash equivalents at the end of the year		24,259,063		25,387,873
Reconciliation of Cash and cash equivalents with the Balance				
Cash and cash equivalents as per Balance Sheet (Refer Note 19)		24,259,063		25,387,873
Less: Bank balances not considered as Cash and cash equivalents		-		-
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 19		24,259,063		25,387,873
Cash and cash equivalents at the end of the year *				
* Comprises:				
(c) Balances with banks				
(i) In current accounts		1,997,213		936,033
(ii) In deposit accounts with original maturity of less than 3 months		22,261,850		24,451,840
		24,259,063		**25,387,873**

As per our report attached

For M/s A.M. Jain & Co.
Chartered Accountants
Firm's Registration No.: 103883W

CA ARUN KUMAR JAIN
Partner
Membership No. 038983

Place : Mumbai
Date : 28 May, 2013

for and on behalf of the Board of Directors

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

Sd/-
(Anita Soni)
Director

Sd/-
(N.K. Jain)
Chief Operation Officer

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

Place : New Delhi
Date : 28 May, 2013

MTNL

MOORE STEPHENS
6th, Floor, Newton Tower
Sir William Newton Street
Port Lovis, Mauritius
Tel : (230) 211-6535, 211-0021, 211 7484
Fax : (230) 211 6964

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHANAGAR TELEPHONE (MAURITIUS) LTD

This report is made solely to the members of **MAHANAGAR TELEPHONE (MAURITIUS) LTD** (the "Company"), as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **MAHANAGAR TELEPHONE (MAURITIUS) LTD,** set out on pages 4 to 21, which comprise the statement of financial position at 31 March 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Report on the Financial Statements

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

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

Opinion

In our opinion, the financial statements on pages 4 to 21 give a true and fair view of the financial position of the company at 31 March 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

Report on Other Legal and Regulatory Requirements

We have no relationship with or interests in the company other than in our capacity as auditors and tax advisers.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the company as far as it appears from our examination of those records.

MOORE STEPHENS
Chartered Accountants

Arvin Rogbeen, ACA
Signing Partner
Licensed by FRC

PORT LOUIS
MAURITIUS

Date : 22/04/2013

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Notes	2013 Rs.	2012 Rs.
ASSETS			
Non-current assets			
Property, plant and equipment	5	**574,370,493**	302,015,233
Equipment under construction		**97,282,128**	89,894,966
Deferred taxation	6	**-**	683,071
		671,652,621	392,593,270
Current assets			
Trade and other receivables	7	**182,753,970**	337,725,725
Cash and cash equivalents	8	**41,766,352**	19,969,297
		224,520,322	357,695,022
TOTAL ASSETS		**896,172,943**	750,288,292
EQUITY AND LIABILITIES			
Equity			
Stated capital	9	**673,717,949**	673,717,949
Accumulated losses	10	**(35,737,043)**	(42,441,705)
TOTAL EQUITY		**637,980,906**	631,276,244
Non-Current liabilities			
Deferred taxation	6	**3,743,376**	**-**
Current liabilities			
Trade and other payables	11	**254,448,661**	118,456,255
Taxation	6	**-**	555,793
		254,448,661	119,012,048
TOTAL EQUITY AND LIABILITIES		**896,172,943**	750,288,292

Approved by the Board of Directors on 22.04.2013

sd/-
DIRECTOR

sd/-
DIRECTOR

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

	Notes	2013 Rs.	2012 Rs.
Turnover		**298,179,104**	275,402,059
Cost of sales		**(69,292,163)**	(86,112,863)
Gross profit		**228,886,941**	189,289,196
Personnel expenses		**(12,237,518)**	(12,110,472)
Licence fees		**(15,449,872)**	(14,065,669)
Administrative expenses		**(97,944,994)**	(74,339,174)
Marketing expenses		**(19,777,805)**	(20,932,601)
Depreciation		**(77,131,935)**	(47,071,723)
Profit from operations	**12**	**6,344,818**	20,769,557
Other income	**13**	**2,000**	1,475,436
Net finance income	**14**	**4,784,291**	9,607,138
Total comprehensive income before taxation		**11,131,109**	31,852,131
Taxation	**6**	**(4,426,447)**	(7,335,977)
Total comprehensive income for the year		**6,704,662**	24,516,154
Earnings per share	**15**	**0.01**	0.04

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
Balance at 01 April, 2011	**673,717,949**	**(66,957,859)**	**606,760,090**
Total comprehensive loss for the year	-	24,516,154	24,516,154
Balance at 31 March 2012	**673,717,949**	**(42,441,705)**	**631,276,244**
Balance at 01 April 2012	673,717,949	(42,441,705)	631,276,244
Total comprehensive income for the year	-	6,704,662	6,704,662
Balance at 31 March 2013	**673,717,949**	**(35,737,043)**	**637,980,906**

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2013

	Note	2013 Rs.	2012 Rs.
Cash flow from operating activities			
Total comprehensive income before taxation		**11,131,109**	31,852,131
Adjustments for:-			
Depreciation		**77,131,935**	47,071,723
Interest received		**(4,560,032)**	(6,864,715)
Operating profit before working capital changes		**83,703,012**	72,059,139
Increase in trade and other receivables		**154,415,962**	(26,279,662)
(Decrease) / increase in trade and other payables		**135,992,407**	35,076,707
Cash (absorbed into) / generated from operations		**374,111,381**	80,856,184
Interest received		**4,560,032**	6,864,715
Net cash generated from operating activities		**378,671,413**	87,720,899
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**-**	4,998,769
Equipment under construction		**(7,387,162)**	(23,964,087)
Purchase of property, plant and equipment		**(349,487,196)**	(79,626,663)
Net increase/ (decrease) in cash and cash equivalents		**21,797,055**	(10,871,082)
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**19,969,297**	30,840,379
Cash and cash equivalents at the end of the year	**8**	**41,766,352**	19,969,297
Net increase/ (decrease) in cash and cash equivalents		**21,797,055**	**(10,871,082)**

1. CORPORATE INFORMATION

Mahanagar Telephone (Mauritius) Ltd is a private limited Company incorporated in Mauritius on 14 November 2003. The address of the registered office is MTML Square, 63 Cyber City, Ebene, Mauritius. The principal activity of the Company is to provide telecommunication services.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 Amendments to IFRSs affecting amounts reported in the financial statements

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these financial statements.

2.1.1 Amendments to IFRSs affecting presentation and disclosure only

- *Amendments to IFRS 7 Disclosures – Transfers of Financial Assets*

  The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

- *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

  The amendments introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income' is renamed the 'statement of profit or loss and other comprehensive income' and the 'income statement' is renamed the 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than

the above mentioned presentation changes, the application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012)

  IAS 1 requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). The amendments to IAS 1 clarify that an entity is required to present a third statement of financial position only when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position and that related notes are not required to accompany the third statement of financial position.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (Continued)

2.1.2 Amendments to IFRSs affecting the reported financial performance and/or financial position

- *Amendments to IAS 12 Deferred Tax: Recovery of Underlying Assets*

  Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 Investment Property are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted.

2.2 New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Effective for annual periods beginning on or after 1 January 2013.

- IFRS 10 : Consolidated Financial Statements
- IFRS 11 : Joint Arrangements
- IFRS 12 : Disclosure of Interests in Other Entities
- IFRS 13 : Fair Value Measurement

- Amendments to IFRS 7 : Disclosures – Offsetting Financial Assets and Financial Liabilities
- Amendments to IFRS 10, IFRS 11 and IFRS 12 : Consolidated FinancialStatements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- IAS 19 (as revised in 2011) : Employee Benefits
- IAS 27 (as revised in 2011) : Separate Financial Statements
- IAS 28 (as revised in 2011) : Investments in Associates and Joint Ventures
- IFRIC 20 : Stripping Costs in the Production Phase of a Surface Mine
- Amendments to IFRSs : Annual Improvements to IFRSs 2009-2011 Cycle except for the amendment to IAS 1 (see note 2.1.1)

Effective for annual periods beginning on or after 1 January 2014.

- Amendments to IAS 32 : Offsetting Financial Assets and Financial Liabilities

Effective for annual periods beginning on or after 1 January 2015.

- IFRS 9 : Financial Instruments
- Amendments to IFRS 9 and IFRS 7 : Mandatory Effective Date of IFRS 9 and Transition Disclosures

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(c) Opearating lease

Payments made under opearting leases are recognised in the statement of comprehensive income on a straight line basis over the term of the lease.

(d) Revenue recognition

Revenue relates to telephone services, data communication services, phone cards and other corollary services.

Revenue is recognised on an accrual basis and is net of discount. International revenue is derived from outgoing calls from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the Company's network.

The Company pays a proportion of the international traffic revenue it collects from its customers to transit and destination network operators. These revenues and costs are stated gross in the financial statements. Amount payable and receivable from the same foreign network operators are shown net in the statement of financial position where a right of set off exists.

(e) Functional and presentation currency

(i) Reporting currency

The financial statements are presented in Mauritian Rupees (Rs), which is the Company's functional and presentation currency. This represents the currency of the primary economic environment in which the entity operates.

(ii) Transactions and balances

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies at year end exchange rates are recognised in the statement of comprehensive income.

(f) ***Taxation***

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the end of the reporting date.

Deferred tax is provided using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be

realised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(g) Cash and cash equivalents

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(h) Finance income and expense

Finance income comprises interest income and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprises interest expense and foreign exchange losses. Interest expense is recognised in the statement of comprehensive income as it accrues using the effective interest method.

(i) Deferred tax

Deferred taxation is provided using the liability method on all temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses carried forward and on retirement benefit obligations.

(j) Stated capital

Ordinary shares are classified as equity.

(k) Financial liabilities

Financial liabilities, including loans from related parties, are stated at fair value, which is normally the face value of the loans.

(l) Related parties

For the purpose of these financial statements, parties are considered to be related to the company if they have the ability, directly or indirectly, to control the company or exercise significant influence over the company in making financial and operating decisions, or vice versa, or where the company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(m) Financial Instruments

Financial instruments carried on the statement of financial position include trade and other receivables, cash and cash equivalents and trade and other payables. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

(n) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the statement of comprehensive income, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other non derivative financial instruments

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment.

(o) Trade and other receivables

Trade and other receivables are stated at its nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(p) Trade and other payables

Trade and other payables are stated at its nominal value.

(q) Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(r) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangibles assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

(s) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the branch and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the statement of comprehensive income as incurred.

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Additions during the year bear a due proportion of the annual depreciation charge.

The annual depreciation rates used for the purpose are as follows:

Computer equipment	- 16.21 %
Furniture, fixtures and fittings	- 6.33 %
Office equipment	- 4.75 %
Motor vehicles	- 10.00 %
Plant and equipment	- 10.00 %

Gains and losses on disposal of property, plant and equipment are determined by reference to their written down value and are included in determining operating profit.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the period of the revision and future periods if the revision affects both current and future periods.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 Key sources of estimation uncertainty

With regards to the nature of the Company's business there were no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Property, plant and equipment

COST	Computer equipment Rs.	Furniture fixtures and fittings Rs.	Office equipment Rs.	Motor vehicles Rs.	Plant and equipment Rs.	Total Rs.
At 01 April 2012	704,102	4,531,482	910,802	2,285,816	536,846,891	545,279,093
Additions	248,000	740,116	-	-	348,499,080	349,487,196
At 31 March 2013	**952,102**	**5,271,598**	**910,802**	**2,285,816**	**885,345,971**	**894,766,289**
DEPRECIATION						
At 01 April 2012	607,133	670,197	197,405	1,413,762	240,375,364	243,263,861
Charge for the year	51,735	276,217	41,100	217,152	76,545,731	77,131,935
At 31 March 2013	**658,868**	**946,414**	**238,505**	**1,630,914**	**316,921,095**	**320,395,796**
NET BOOK VALUE						
At 31 March 2013	**293,234**	**4,325,184**	**672,297**	**654,902**	**568,424,876**	**574,370,493**
At 31 March 2012	96,969	3,861,285	713,397	872,054	296,471,527	302,015,233

6.Taxation

The Company is liable to income tax at the rate of 15 % (2012: 15%) on its profit as adjusted for tax purposes.

	2013 Rs.	2012 Rs.
Current tax charge	-	-
Corporate social responsibilty liability	-	555,793
Deferred tax charge	**4,426,447**	6,780,184
Total tax expense in the statement of comprehensive income	**4,426,447**	7,335,977

Reconciliation of effective taxation

Total comprehensive income before taxation	**11,131,109**	31,852,131
Income tax at 15%	**1,669,666**	4,777,820
Non-allowable expenses	**56,781**	52,180
Tax rate differential	**2,700,000**	1,950,184
	4,426,447	6,780,184

Deferred tax assets

At 01 April 2011	**683,071**	7,463,255
Movement during the year	**(4,426,447)**	(6,780,184)
At 31 March 2013	**(3,743,376)**	683,071

Deferred tax assets are analysed as follows:

Accelerated capital allowances	**(42,911,588)**	(31,305,273)
Tax losses	**36,468,212**	29,288,344
Provision for bad debts	**2,700,000**	2,700,000
	(3,743,376)	683,071

7. Trade and other receivables

	2013 Rs.	2012 Rs.
Trade receivables	**109,271,375**	93,413,360
Other receivables and prepayments	**73,482,595**	244,312,365
	182,753,970	337,725,725

8. Cash and cash equivalents

Cash in hand and at bank	**41,766,352**	19,969,297

9. Stated capital

Ordinary shares of no par value	**673,717,949**	673,717,949

10. Accumulated losses

At 01 April 2012	**(42,441,705)**	(66,957,859)
Total comprehensive income for the year	**6,704,662**	24,516,154
At 31 March 2013	**(35,737,044)**	(42,441,705)

11. Trade and other payables

Trade payables	**182,515,617**	22,968,014
Other payables	**71,933,044**	95,488,241
	254,448,661	118,456,255

12. Profit from operations

Profit from operations is arrived at after charging the following items:-

Staff costs	**12,237,518**	12,110,472
Depreciation on property, plant and equipment	**77,131,935**	47,071,723
Auditors' remuneration	**90,000**	90,000
Number of employees at end of the year	**12**	14

	2013 Rs.	2012 Rs.
13. Other income		
Other income	**2,000**	1,475,436
14. Net finance expense		
Interest income	**4,560,032**	6,864,715
Foreign exchange gain	**224,259**	2,862,874
Finance income	**4,784,291**	9,727,589
Foreign exchange losses	-	(120,451)
Finance expense	-	(120,451)
Net finance expense	**4,784,291**	9,607,138

15. Earnings per share

The calculation of earnings per share is based on total comprehensive income for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 March 2013.

16. Related party transactions

	2013 Rs.	2012 Rs.
The Company had the following transactions with related parties.		
Remuneration and other short term benefits to key management personnel	**3,369,444**	3,914,157

All related party transactions are priced on commercial terms and conditions.

17. Holding company

The Holding Company is Mahanagar Telephone Nigam Ltd, a Government of India Enterprise.

18. Commitments

(a) Operations leases

Leases as lessee

The future aggregate minimum lease payments for operating leases cancellable with six months notice area as follows :

	BTS sites Rs.	Buildings Rs.	Total Rs.
Within one year	4,707,408	-	4,707,408
Between one year and five years	49,803,360	-	49,803,360
Over five years		-	-
	54,510,768	-	54,510,768

(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 12,296,460/-.**

(c) Capital commitments

Capital expenditure contracted and not provided for in the financial statements amount to **Rs.195,000,000/-.**

19. Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

The capital structure of the Company consists of stated capital and accumulated losses.

20. Financial instruments

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Company has assets and liabilities denominated in foreign currencies. Consequently, the Company is exposed to the risk that the exchange rate of the MUR relative to the foreign currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in foreign currencies.

20. Financial instruments (Continued)

(i) Foreign exchange risk

Categories of financial instruments	2013 Rs.	2012 Rs.
Financial assets		
Trade and other receivables	**182,753,970**	337,725,725
Cash and cash equivalents	**41,766,352**	19,969,297
	224,520,322	357,695,022
Financial liabilities		
Trade and other payables	**254,448,661**	118,456,255

Foreign currency risk management

The company mainly transacts in Mauritian Rupees. The company did not engage in activities which would require foreign currency exposure hedging.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	2013		2012	
	Financial assets Rs.	Financial liabilities Rs.	Financial assets Rs.	Financial liabilities Rs.
Mauritian Rupees (MUR)	**224,520,322**	**254,448,661**	357,695,022	118,456,255
	224,520,322	**254,448,661**	357,695,022	118,456,255

(ii) Interest rate risk management

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest earning financial asset is cash at bank. Interest income may fluctuate in amount, in particular due to changes in interest rates, however changes in interest rate will not have a material effect on interest income.

(a) Market risk

(iii) Price risk

The Company is not faced with any price risk.

(b) Credit risk

The Company has no significant concentration of credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its payment obligations, associated with its financial liabilities, when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash. In addition, the Company has access to its group companies for its financing needs

(d) Fair value estimation

The carrying values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values

20. Events after the reporting period

There are no events after the reporting period which may have a material effect on the financial statements at 31 March 2013.

20. Financial summary

	2013	2012	2011	2010
	Rs.	Rs.	Rs.	Rs.
Issued and Fully Paid Up Stated capital	**673,717,949**	**673,717,949**	572,264,029	567,235,852
Accumulated losses	**(35,737,043)**	**(42,441,705)**	(88,971,972)	(92,492,391)
Total comprehensive income before taxation	**11,131,109**	**31,852,131**	6,498,937	(41,438,122)
Total comprehensive income after taxation	**6,704,662**	**24,516,154**	**3,520,419**	**(34,815,362)**

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Data Under the Universal Service Fund Regulations for the Period Apr 2012 to March 2013

		Incoming Minutes	Roaming Income
1.	April 2012	1887201	392146
2.	May 2012	1916620	652555
3.	June 2012	1545733	1586656
4.	July 2012	1307647	1693828
5.	August 2012	1619621	1885295
6.	September 2012	1556850	2649958
7.	October 2012	1739054	3451950
8.	November 2012	2697386	4272891
9.	December 2012	2535698	4564403
10.	January 2013	2545266	7022415
11.	February 2013	1674728	5052580
12.	March 2013	1665207	7530800
	Total	**22691011**	**40755477**

APPENDIX – I

MAHANAGAR TELEPHONE (MAURITIUS) LTD
SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

		2013 Rs.	2012 Rs.
I.	**Cost of sales**		
	Roaming Charges	**4,340,716**	-
	ICTA Special account fee / Universal Service Fund Charges	**15,196,698**	14,679,309
	Carrier charges	**10,993,121**	20,905,588
	IPLC charges	**8,077,130**	7,573,988
	Cost of subscribers acquisition	**1,764,448**	-
	IUC charges	**28,920,050**	42,953,978
		69,292,163	86,112,863
II.	**Personnel expenses**		
	Salaries and allowances	**10,859,393**	10,218,585
	Other benefits	**1,378,125**	1,891,887
		12,237,518	12,110,472
III.	**Licence fees**		
	PLMN	**8,000,004**	8,000,004
	ILD	**1,999,992**	1,999,992
	Microware	**1,000,008**	1,189,008
	Spectrum	**3,392,872**	2,160,000
	ISP	**50,000**	50,000
	Dealership	**7,000**	-
	GSM Spectrum	**999,996**	666,665
		15,449,872	14,065,669

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MAHANAGAR TELEPHONE (MAURITIUS) LTD
SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2013

APPENDIX II

	2013 Rs.	2012 Rs.
IV. Administrative expenses		
Meeting expenses	**255,847**	127,760
Fraud tracking charges	**15,771,080**	8,663,534
Conveyance charges	**-**	8,112
Rental for ebene	**315,750**	300,000
Rental accomodation	**1,734,300**	1,505,843
Rental BTS sites	**11,206,760**	9,154,173
Rental of building		487,117
Company licence		6,000
Electricity	**19,997,083**	14,692,602
Water charges	**85,647**	41,684
Motor vehicle running expenses	**855,940**	415,721
Vehicle hire charges	**617,764**	614,718
Repairs and maintenance - mess		531,222
Fuel for BTS		45,600
Repairs and maintenance - office	**300,633**	418,643
CRBT Expenditure		386,528
Repairs and maintenance - shop	**411,263**	434,607
Repairs and maintenance of FWPS	**5,652,519**	174,596
Repairs and maintenance	**561,815**	505,804
Maintenance sites	**264,917**	220,409
Printing	**1,350,342.5**	886,869.0
Stationery	**446,301**	467,523
Communication expenses	**2,487,828**	3,349,329
Bank charges	**921,838**	1,213,729
Library books	**22,250**	16,695
Horticulture expenses	**21,600**	20,800
Computer consumables and repairs	**66,135**	25,294
Professional charges	**226,812**	106,822
General expenses		298
Entertainment	**122,691**	57,138
Repairs of office equipment		1,300
Commission and brokerage fees	**12,528,005**	8,610,736
Office insurance	**969,605**	-
Security charges	**405,500**	826,842
Rates and taxes	**1,861,260**	1,100,223
Provision for bad debts	**18,000,000**	18,000,000
Lease rental	**168,000**	168,000
Freight charges	**68,211**	124,701
GSM-Roaming Charges	-	563,515
Custom duty and clearance	**247,297**	64,687
	97,944,994	74,339,174

V. Marketing expenses

	2013 Rs.	2012 Rs.
Electricity for shops	**413,394**	337,731
Club membership	**15,200**	12,238
Rent of shops	**3,118,557**	2,534,138
Call centre charges	**6,000,509**	5,973,895
Publicity and advertisement	**10,207,645**	11,990,599
Website development and maintenance	**22,500**	84,000
	19,777,805	20,932,601

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MAHANAGAR TELEPHONE (MAURITIUS) LTD
INCOME TAX COMPUTATION
ASSESSMENT YEAR 2013

		2013 Rs.	
PROFIT AS PER ACCOUNTS		11,131,109	
ADD BACK : DEPRECIATION		77,131,935	
ENTERTAINMENT		122,691	
PROVISION FOR BAD DEBTS		18,000,000	
MEETING EXPENSES		255,847	meeting operating
		106,641,582	
LESS: CAPITAL ALLOWANCES:			
Annual allowances :			
Computer equipment	(133,051)		
Furniture, fixtures and fittings	(645,591)		
Office equipment	(33,485)		
Motor Vehicle	(71,421)		
Plant and equipment	(153,623,819)		
		(154,507,367)	
Adjusted profit		(47,865,785)	
Loss Brought forward		(213,255,627)	
Loss carried forward		(261,121,412)	
CSR			
Profit before tax - 31 March 2012		-	
Less income tax liability - 31 March 2012		-	
Book Profit		**-**	
CSR Contribution - 2%		**-**	
Less TDS on rental received			
Net CSR due		-	

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MAHANAGAR TELEPHONE (MAURITIUS) LTD
CAPITAL ALLOWANCES COMPUTATION
ASSESSMENT YEAR 2013

BASE COST	Computer equipment Rs.	Furniture fixtures and fittings Rs.	Office equipment Rs.	Motor vehicles Rs.	Plant and equipment Rs.	Total Rs.
At 01 April 2012	704,102	4,531,482	910,802	2,285,816	536,846,891	545,279,093
Additions	248,000	740,116	-	-	348,499,080	349,487,196
Disposal	-	-	-	-	-	-
At 31 March 2013	**952,102**	**5,271,598**	**910,802**	**2,285,816**	**885,345,971**	**894,766,289**
WRITTEN DOWN VALUE						
At 01 April 2012	18,101	2,487,839	95,672	285,682	90,426,118	93,313,412
Additions	248,000	740,116	-	-	348,499,080	349,487,196
	266,101	**3,227,955**	**95,672**	**285,682**	**438,925,198**	**442,800,608**
Annual Allowance	(133,051)	(645,591)	(33,485)	(71,421)	(153,623,819)	(154,507,367)
At 31st March 2013	133,051	2,582,364	62,187	214,262	285,301,379	288,293,242
Annual Allowance	50%	20%	35%	25%	35%	-
Less than ₹ 30,000	-				-	
More than ₹ 30,000	124,000	148,023	-	-	121,974,678	122,246,701
Other assets	9,051	497,568	33,485	71,421	31,649,141	32,260,665
	133,051	**645,591**	**33,485**	**71,421**	**153,623,819**	**154,507,367**

MAHANAGAR TELEPHONE (MAURITIUS) LTD
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2013

	2013 Rs.	2012 Rs.
N.B.V as at 31 March 2013	**574,370,493**	302,015,233
T.W.D.V as at 31 March 2013	**288,293,242**	93,313,412
Timing Difference	**286,077,252**	208,701,821
Deferred Taxation at 15% (accelerated capital allowances)	**42,911,588**	31,305,273
Balance at Start 01st April 2012	**683,071**	7,463,255
Charge for the year	**4,426,447**	6,780,184
Balance at end 31st March 2013	**(3,743,376)**	683,071
Charge for the year (to the Statement of Comprehensive Income)	**4,426,447**	6,780,184

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Registered Office: Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex,
Lodhi Road, New Delhi-110 003

PROXY

Name ..... Folio No. ..... No. Of Shares .....

DP-Id ..... Client Id* .....

I/We …….....……of …….....…… in the district of

…….....……..being member (s) of Mahanagar Telephone Nigam Ltd. hereby

appoint Shri/ Smt. …… of ……..in the district of …… or failling him/her, Shri/Smt……of in the district of ……a, as my/our proxy to attend and vote on my/our behalf at the 27th Annual General Meeting of the Company to be held on 30th September, 2013 at 11.15 A.M or any adjournment thereof.

Date ..... Signature .....

Note:

1. The Proxy need NOT be a member.
2. The Form signed across the revenue stamp of requisite value should reach the Company's Registered Office at least 48 hours before the meeting.

*Applicable in the case of shares held in electronic form.

Please note that no gifts of any sort would be distributed at the AGM.

MAHANAGAR TELEPHONE NIGAM LIMITED

Registered Office: Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex,
Lodhi Road, New Delhi-110 003

ADMISSION SLIP

Name ..... Folio No. ..... No. Of Shares .....

DP-Id ..... Client Id* .....

I hereby record my presence at the 27th Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at **Auditorium,Mahanagar Sadan, 9, CGO Complex, Lodhi Road, New Delhi-110003** on 30th September, 2013 At 11:15 A.M.

NAME OF PROXY, IF APPLICABLE (IN BLOCK LETTERS)

1. Members/proxies are requested to bring the duly signed Admission Slip to the meeting and hand it over at the Registration Counter.

*Applicable in the case of shares held in electronic form.

Please note that no gifts of any sort would be distributed at the AGM.