महानगर टेलीफोन निगम लि.
(भारत सरकार का उद्यम)
Mahanagar Telephone Nigam Ltd.
(A Government of India Enterprise)

MTNL/SECTT/SE/2020
February 14, 2020

The Secretary,
Bombay Stock Exchange,
National Stock Exchange,
OTCQX

Sub: Compliance of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015: Submission of Un-audited Reviewed Financial Results along with Limited Review Report for the Quarter ended 31st December, 2019.

Dear Sir,

Further to our letter of even no.dtd. **January 20**, 2019, we are forwarding herewith the Unaudited Reviewed Financial Results prepared as per Ind AS along with the Limited Review Report submitted by the Statutory Auditors of the Company for the Quarter ended 31st December, 2019 duly approved by the Board of Directors in its Meeting held in New Delhi today i.e. 14th February, 2020.

Kindly acknowledge receipt of the same and take the same on record.

The results are also being published in newspapers as per the requirement of Regulation 47 of SEBI (LODR) Regulations, 2015.

Thanking you,
Yours faithfully,

(S.R. SAYAL)
COMPANY SECRETARY

Encl: As above

पंजीकृत एवं निगम कार्यालय : महानगर दूरसंचार सदन, 5 वां तल, 9 सी.जी.ओ. कॉम्प्लैक्स, लोधी रोड, नई दिल्ली-110003
फोन कार्यालय : 24319020, फैक्स : 24324243
Regd. & Corporate Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003 India
Phone Off.: 24319020, Fax : 24324243
आप हमारे साथ हिन्दी मे भी पत्राचार कर सकते हैं।

Annexure I

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Govt. of India Enterprise)

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

Website: www.mtnl.net.in, Phone Off: 011-24319020, Fax: 011-24324243

CIN No. L32101DL1986GOI023501

STATEMENT OF UNAUDITED STANDALONE FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED ON 31/12/2019

(Rs. in Crore)

		STANDALONE					
		Three Month Ended			Nine Month Ended		Year Ended
Sl. No.	Particulars	3 months ended 31/12/2019	Preceeding 3 months ended 30/09/2019	Corresponding 3 months ended 31/12/2018 in the previous year	Year to date figures for Current period ended 31/12/2019	Year to date figures for previous period ended 31/12/2018	Previous year ended 31/03/2019
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
I	Revenue from operations	383.64	369.32	514.50	1,165.31	1,450.96	1,987.80
II	Other Income	216.13	239.30	177.92	566.54	470.46	618.91
III	**Total Income (I +II)**	**599.77**	**608.62**	**692.42**	**1,731.85**	**1,921.42**	**2,606.71**
IV	**Expenses**						
	License Fees & Spectrum Charges	43.43	36.43	54.23	116.44	137.48	176.55
	Employees' Remuneration and benefits	754.51	601.40	577.26	1,991.66	1,785.13	2,272.03
	Finance cost	478.74	483.55	434.24	1,436.99	1,256.07	1,703.18
	Revenue Sharing	19.40	23.96	49.29	73.43	124.83	162.18
	Depreciation and amortization expense	240.29	245.88	245.76	735.07	743.05	983.70
	Administrative Expenses	131.90	167.20	163.91	449.61	509.55	699.27
	Total Expenses (IV)	**1,668.27**	**1,558.42**	**1,524.68**	**4,803.19**	**4,556.11**	**5,996.91**
V	**Profits/(Loss) before exceptional items and tax(III-IV)**	**(1,068.50)**	**(949.80)**	**(832.26)**	**(3,071.34)**	**(2,634.69)**	**(3,390.20)**
VI	Exceptional items	-	-	-	-	-	-
VII	**Profit/ (Loss) before tax (V- VI)**	**(1,068.50)**	**(949.80)**	**(832.26)**	**(3,071.34)**	**(2,634.69)**	**(3,390.20)**
VIII	Tax expense:						
	(1) Current tax	-	-	-	-	-	-
	(2) Deferred tax	-	-	-	-	-	-
IX	**Profit/ (Loss) for the period from continuing operations (VII - VIII)**	**(1,068.50)**	**(949.80)**	**(832.26)**	**(3,071.34)**	**(2,634.69)**	**(3,390.20)**
X	Profit/ (Loss) from discontinued operations	-	-	-	-	-	-
XI	Tax expense of discontinued operations	-	-	-	-	-	-
XII	**Profit/ (Loss) from Discontinued Operations (after tax) (X-XI)**	-	-	-	-	-	-
XIII	**Profit/ (Loss) for the period (IX + XII)**	**(1,068.50)**	**(949.80)**	**(832.26)**	**(3,071.34)**	**(2,634.69)**	**(3,390.20)**
XIV	Other Comprehensive Income						
A	i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(7.39)
	ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-	-	-	-
B	i) Items that will be reclassified to profit or loss	-	-	-	-	-	-
	ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
	Other Comprehensive Income for the year	-	-	-	-	-	(7.39)
XV	**Total Comprehensive Income for the period (XIII+XIV)**	**(1,068.50)**	**(949.80)**	**(832.26)**	**(3,071.34)**	**(2,634.69)**	**(3,397.58)**
XVI	Paid up Equity Share Capital						630.00
XVII	Other Equity excluding revaluation reserves						(10,364.94)
XVIII	Earnings per equity Share (of Rs.10 each) for continuing operations:(not annualised)						
	(1) Basic	(16.96)	(15.08)	(13.21)	(48.75)	(41.82)	(53.81)
	(2) Diluted	(16.96)	(15.08)	(13.21)	(48.75)	(41.82)	(53.81)
XIX	Earnings per equity Share of Rs.10 each(for discontinued operations):(not annualised)						
	(1) Basic	-	-	-	-	-	-
	(2) Diluted	-	-	-	-	-	-
XX	Earnings per equity Share of Rs.10 each (for discontinued & continuing operations): (not annualised)						
	(1) Basic	(16.96)	(15.08)	(13.21)	(48.75)	(41.82)	(53.81)
	(2) Diluted	(16.96)	(15.08)	(13.21)	(48.75)	(41.82)	(53.81)

See accompanying notes to the financial results:

May Kindly see for approval for submission to the Stock Exch. and for Publication in the newspapers.

D(F) 14/2/2020

CMD 14/2

14.2.2020

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VINOD KUMAR & ASSOCIATES * Chartered Accountants * New Delhi

Kumar Vijay Gupta & Co. * Chartered Accountants * New Delhi

Notes:

1 The financial results have been prepared in accordance with the Indian Accounting Standards (Ind- AS) as prescribed under Section 133 of the Companies Act 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules thereafter.

2 The above results have been reviewed and recommended for adoption by the Audit Committee in their meeting held on 14.02.2020 and approved by the Board of Directors of the Company at their meeting held on the same date.

3 Acturial provision for gratuity includes Rs. 38.48 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 2876 No of employees on account of VRS on 31.01.2020. The provision for leave encashment also include Rs. 99.86 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 14387 No of employees on account of VRS on 31.01.2020.

4 Other Income includes Rs. 70 cr on account of interest on CGEGIS payment received from DOT in this quarter.

5 14387 number of MTNL employees opted for VRS and the expendiure of ex-gratia on account of compensation to be borne by the DOT/Govt. through budgetory supports as per approval of cabinet. As such no provision of VRS compensation is considered in this quarter.

6 The Auditors of the Company have carried out 'Limited Review' of the above financial results for the quarter ended 31st December, 2019.

7 Effective April 1, 2019, the company has adopted Ind AS 116 'Leases' using retrospectively with the cumualtive effect of initially applying the standard recognised at the date of initial application. Under this method, the company recognizes a lease liability at the present value of all the remaining lease payments on April 1 , 2019, and a right-of-use asset at its carrying amount as if Ind AS 116 had been applied since the commencement of the lease. Further, as required under the modified retrospective method, the previous period information is not restated and so not comparable. The adoption of the standard did not have any material impact on the financial results of the company.

For and on behalf of the Board

(Sunil Kumar)
Chairman & Managing Director
DIN No. 06628803

Place : New Delhi
Date : 14.02.2020

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

Kumar Vijay Gupta & Co. Chartered Accountants

Annexure II

MAHANAGAR TELEPHONE NIGAM LIMITED

Regd. Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003
Website: www.mtnl.net.in, Phone Off: 011-24319020, Fax: 011-24324243

CIN No: L32101DL1986GOI023501

UNAUDITED STANDALONE SEGMENT WISE REVENUE, RESULTS AND ASSETS & LIABILITIES FOR THE QUARTER AND NINE MONTH ENDED ON 31/12/2019

(Rs. in Crore)

		STANDALONE					
		Three Month Ended			Nine Month Ended		Year Ended
Sl. No.	Particulars	3 months ended 31/12/2019	Preceeding 3 months ended 30/09/2019	Corresponding 3 months ended 31/12/2018 in the previous year	Year to date figures for Current period ended 31/12/2019	Year to date figures for previous period ended 31/12/2018	Previous year ended 31/03/2019
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1.	**Revenue from Operations**						
	Basic & other Services	350.31	331.09	406.92	1,053.28	1,225.81	1,714.97
	Cellular	33.75	38.73	108.64	113.61	228.36	277.00
	Unallocable	-	-	-	-	-	-
	Total	384.06	369.82	515.56	1,166.89	1,454.17	1,991.97
	Less: Inter Segment Revenue	0.42	0.50	1.06	1.58	3.21	4.18
	Net Revenue from Operations	383.64	369.32	514.50	1,165.31	1,450.96	1,987.80
2.	**Segment Result before interest income, exceptional items, finance cost and tax**						
	Basic & other Services	(512.94)	(405.41)	(264.39)	(1,302.05)	(926.55)	-1,168.98
	Cellular	(181.85)	(188.67)	(147.85)	(554.39)	(482.20)	-648.80
	Unallocable	18.30	99.39	(10.81)	94.53	(35.47)	35.96
	Total	(676.48)	-494.69	-423.06	-1,761.91	-1,444.22	-1,781.81
	Add: Exceptional items	-	-	-	-	-	-
	Add: Interest Income	86.72	28.45	25.04	127.55	65.60	94.80
	Less: Finance cost	478.74	483.55	434.24	1,436.99	1,256.07	1,703.18
	Profit/ (Loss) before tax	(1,068.50)	(949.80)	(832.26)	(3071.34)	(2634.69)	(3390.20)
	Less: Provision for Current Tax & Deferred tax	-	-	-	-	-	-
	Profit/ (Loss) after tax	(1,068.50)	-949.80	-832.26	-3,071.34	-2,634.69	-3,390.20
3.	**Capital Employed (Segment Assets - Segment Liabilities)**						
	Segment Asset						
	Basic & other Services	7,186.20	7,335.62	8,767.97	7,186.20	8,767.97	7,675.46
	Cellular	4,895.88	4,996.97	4,928.01	4,895.88	4,928.01	4,952.90
	Unallocable/Eliminations	1,701.31	1,880.87	2,022.35	1,701.31	2,022.35	2,049.06
	Total Segment Assets	13,783.39	14,213.46	15,718.33	13,783.39	15,718.33	14,677.42
	Segment Liabilities						
	Basic & other Services	4,381.37	4,534.94	5,056.88	4,381.37	5,056.88	4,253.58
	Cellular	22,168.15	22,024.85	15,890.25	22,168.15	15,890.25	21,145.24
	Unallocable/Eliminations	79.04	-569.48	3,743.26	79.04	3,743.26	-986.47
	Total Segment Liabilities	26,628.57	25,990.31	24,690.39	26,628.57	24,690.39	24,412.36

For and on behalf of the Board

(Sunil Kumar)
Chairman & Managing Director
DIN No. 06628803

Place : New Delhi
Date : 14.02.2020

VINOD KUMAR & ASSOCIATES * Chartered Accountants * New Delhi

Kumar Vijay Gupta & Co. * Chartered Accountants * New Delhi

4

Annexure I

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Govt. of India Enterprise)

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

Website: www.mtnl.net.in, Phone Off: 011-24319020, Fax: 011-24324243

CIN No: L32101DL1986GOI023501

STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED ON 31/12/2019

(Rs. in Crore)

		CONSOLIDATED					
		Three Month Ended			Nine Month Ended		Year Ended
Sl. No.	Particulars	3 months ended 31/12/2019	Preceeding 3 months ended 30/09/2019	Corresponding 3 months ended 31/12/2018 in the previous year	Year to date figures for Current period ended 31/12/2019	Year to date figures for previous period ended 31/12/2018	Previous year ended 31/03/2019
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1	2	3	4	5	6	7	8
I	Revenue from operations	407.95	388.53	545.75	1,230.33	1,524.71	2,085.41
II	Other Income	216.95	238.60	177.88	567.47	488.29	636.09
III	**Total Income (I +II)**	**624.90**	**627.13**	**723.63**	**1,797.80**	**2,013.00**	**2,721.50**
IV	**Expenses**						
	Purchases of Stock in Trade	0.48	0.84	0.76	1.86	1.47	1.96
	License Fees & Spectrum Charges	46.21	38.89	57.30	124.52	146.15	187.91
	Employees' Remuneration and benefits	755.48	602.25	578.29	1,994.46	1,787.72	2,275.34
	Finance cost	478.74	483.55	434.24	1,436.99	1,256.07	1,703.18
	Revenue Sharing	24.04	28.82	53.80	87.35	140.48	181.09
	Depreciation and amortization expense	243.83	247.84	249.87	745.45	756.53	1,002.42
	Administrative Expenses	141.67	175.33	174.66	477.43	552.15	756.16
	Total Expenses (IV)	**1,690.45**	**1,577.51**	**1,548.92**	**4,868.05**	**4,640.56**	**6,108.05**
V	**Profits/(Loss) before exceptional items and tax(III-IV)**	**(1,065.55)**	**(950.39)**	**(825.29)**	**(3,070.25)**	**(2,627.56)**	**(3,386.55)**
VI	Share of Profit/(loss) in investments accounted for using equity method	0.23	0.22	(0.39)	0.16	(1.24)	(0.64)
VII	Exceptional items	-	-	-	-		-
VIII	**Profit/ (Loss) before tax (V- VI-VII)**	**(1,065.32)**	**(950.17)**	**(825.68)**	**(3,070.09)**	**(2,628.80)**	**(3,387.20)**
IX	Tax expense:						
	(1) Current tax	-	-	-	-	-	0.24
	(2) Deferred tax	-	-	-	-	-	0.64
X	**Profit/ (Loss) for the period from continuing operations (VIII - IX)**	**(1,065.32)**	**(950.17)**	**(825.68)**	**(3,070.09)**	**(2,628.80)**	**(3,388.07)**
XI	Profit/ (Loss) from discontinued operations	-	-	-	-	-	-
XII	Tax expense of discontinued operations	-	-	-	-	-	-
XIII	**Profit/ (Loss) from Discontinued Operations (after tax) (XI-XII)**	-	-	-	-	-	-
XIV	**Profit/ (Loss) for the period (X + XIII)**	**(1,065.32)**	**(950.17)**	**(825.68)**	**(3,070.09)**	**(2,628.80)**	**(3,388.07)**
XV	**Other Comprehensive Income**						
A	i) Items that will not be reclassified to profit and loss	-	-	-	-	-	(7.39)
	ii) Income tax relating to items that will not be reclassified to profit or loss	-	-	-	-	-	-
B	i) Items that will be reclassified to profit or loss	(0.02)	0.01	(5.21)	(1.75)	4.77	(0.36)
	ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
	Other Comprehensive Income for the year	**(0.02)**	**0.01**	**(5.21)**	**(1.75)**	**4.77**	**(7.75)**
XVI	**Total Comprehensive Income for the period (XIV+XV)**	**(1,065.34)**	**(950.16)**	**(830.89)**	**(3,071.84)**	**(2,624.04)**	**(3,395.82)**
XVII	**Paid up Equity Share Capital**						630.00
XVIII	**Other Equity excluding revaluation reserves**						**(10,357.83)**
XIX	**Earnings per equity Share (of Rs.10 each) for continuing operations:(not annualised)**						
	(1) Basic	(16.91)	(15.08)	(13.11)	(48.73)	(41.73)	(53.78)
	(2) Diluted	(16.91)	(15.08)	(13.11)	(48.73)	(41.73)	(53.78)
XX	**Earnings per equity Share of Rs.10 each(for discontinued operations):(not annualised)**						
	(1) Basic	-	-	-	-	-	-
	(2) Diluted	-	-	-	-	-	-
XXI	**Earnings per equity Share of Rs.10 each (for discontinued & continuing operations): (not annualised)**						
	(1) Basic	(16.91)	(15.08)	(13.11)	(48.73)	(41.73)	(53.78)
	(2) Diluted	(16.91)	(15.08)	(13.11)	(48.73)	(41.73)	(53.78)

See accompanying notes to the financial results:

VINOD KUMAR & ASSOCIATES * Chartered Accountants * New Delhi

Kumar Vijay Gupta & Co. * Chartered Accountants *

Notes:

1 The financial results have been prepared in accordance with the Indian Accounting Standards (Ind- AS) as prescribed under Section 133 of the Companies Act 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules thereafter.

2 The above results have been reviewed and recommended for adoption by the Audit Committee in their meeting held on 14.02.2020 and approved by the Board of Directors of the Company at their meeting held on the same date.

3 Acturial provision for gratuity includes Rs. 38.48 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 2876 No of employees on account of VRS on 31.01.2020. The provision for leave encashment also include Rs. 99.86 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 14387 No of employees on account of VRS on 31.01.2020.

4 Other Income includes Rs. 70 cr on account of interest on CGEGIS payment received from DOT in this quarter.

5 14387 number of MTNL employees opted for VRS and the expendiure of ex-gratia on account of compensation to be borne by the DOT/Govt. through budgetory supports as per approval of cabinet. As such no provision of VRS compensation is considered in this quarter.

6 The Auditors of the Company have carried out "Limited Review" of the above financial results for the quarter ended 31st December, 2019.

7 Effective April 1, 2019, the group has adopted Ind AS 116 'Leases' using retrospectively with the cumualtive effect of initially applying the standard recognised at the date of initial application. Under this method, the group recognizes a lease liability at the present value of all the remaining lease payments on April 1 , 2019, and a right-of-use asset at its carrying amount as if Ind AS 116 had been applied since the commencement of the lease. Further, as required under the modified retrospective method, the previous period information is not restated and so not comparable. The adoption of the standard did not have any material impact on the financial results of the group.

For and on behalf of the Board

(Sunil Kumar)
Chairman & Managing Director
DIN No. 06628803

Place : New Delhi
Date : 14.02.2020





Annexure II

MAHANAGAR TELEPHONE NIGAM LIMITED

Regd. Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003
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CIN No: L32101DL1986GOI023501

CONSOLIDATED UNAUDITED SEGMENT WISE REVENUE, RESULTS AND ASSETS & LIABILITIES FOR THE QUARTER AND NINE MONTH ENDED ON 31/12/2019

(Rs. in Crore)

		CONSOLIDATED					
		Three Month Ended			Nine Month Ended		Year Ended
Sl. No.	Particulars	3 months ended 31/12/2019	Preceeding 3 months ended 30/09/2019	Corresponding 3 months ended 31/12/2018 in the previous year	Year to date figures for Current period ended 31/12/2019	Year to date figures for previous period ended 31/12/2018	Previous year ended 31/03/2019
		UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1.	Revenue from Operations						
	Basic & other Services	350.31	331.09	406.92	1,053.28	1,225.81	1,714.97
	Cellular	58.04	57.81	132.80	177.17	294.93	367.27
	Unallocable	0.02	0.14	7.09	1.45	7.18	7.34
	Total	408.37	389.03	546.81	1,231.91	1,527.92	2,089.58
	Less: Inter Segment Revenue	0.42	0.51	1.06	1.58	3.21	4.18
	Net Revenue from Operations	407.95	388.53	545.75	1,230.33	1,524.71	2,085.41
2.	Segment Result before interest income, exceptional items, finance cost and tax						
	Basic & other Services	(512.94)	(405.41)	(264.39)	(1,302.05)	(926.55)	-1,168.98
	Cellular	(178.36)	(188.15)	(145.79)	(552.16)	(480.32)	-645.34
	Unallocable	17.85	97.94	(5.82)	92.97	(30.46)	35.22
	Total	(673.45)	-495.62	-416.00	-1,761.23	-1,437.34	-1,779.09
	Add: Exceptional items	-	-	-	-	-	-
	Add: Interest Income	86.64	28.78	24.94	127.97	65.85	95.72
	Less: Finance cost	478.74	483.55	434.24	1,436.99	1,256.07	1,703.18
	Add:Share of profit or loss from Associates/ JV	0.23	0.22	(0.39)	0.16	(1.24)	-0.64
	Profit/ (Loss) before tax	(1,065.32)	(950.17)	(825.69)	(3070.09)	(2628.80)	(3387.20)
	Less: Provision for Current Tax & Deferred tax	-	-	-	-	-	0.88
	Profit/ (Loss) after tax	(1,065.32)	-950.17	-825.69	-3,070.09	-2,628.80	-3,388.07
3.	Capital Employed (Segment Assets - Segment Liabilities)						
	Segment Asset						
	Basic & other Services	7,186.20	7,335.62	8,767.97	7,186.20	8,767.97	7,675.46
	Cellular	5,058.13	5,148.76	5,085.15	5,058.13	5,085.15	5,107.65
	Unallocable/Eliminations	1,572.71	1,751.61	1,896.67	1,572.71	1,896.67	1,921.38
	Total Segment Assets	13,817.04	14,236.00	15,749.80	13,817.04	15,749.80	14,704.51
	Segment Liabilities						
	Basic & other Services	4,381.37	4,534.94	5,056.88	4,381.37	5,056.88	4,253.58
	Cellular	22,190.95	22,040.71	15,904.07	22,190.95	15,904.07	21,160.38
	Unallocable/Eliminations	83.32	(566.25)	3,746.18	83.32	3,746.18	-981.64
	Total Segment Liabilities	26,655.64	26,009.40	24,707.13	26,655.64	24,707.13	24,432.34

For and on behalf of the Board

(Sunil Kumar)
Chairman & Managing Director
DIN No. 06628803

Place : New Delhi
Date : 14.02.2020

VINOD KUMAR & ASSOCIATES New Delhi Chartered Accountants

Kumar Vijay Gupta & Co Chartered Accountants

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Corporate & Registered Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003

Website: www.mtnl.net.in, Phone Off: 011-24319020, Fax: 011-24324243

CIN No: L32101DL1986GOI023501

EXTRACT OF STANDALONE & CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED ON 31/12/2019

(Rs. in Crore)

		STANDALONE				CONSOLIDATED			
		Three Month Ended		Nine Month Ended	Year Ended	Three Month Ended		Nine Month Ended	Year Ended
	Particulars	3 months ended 31/12/2019	Corresponding 3 months ended 31/12/2018 in the previous year	Year to date figures for Current period ended 31/12/2019	Previous year ended 31/03/2019	3 months ended 31/12/2019	Corresponding 3 months ended 31/12/2018 in the previous year	Year to date figures for Current period ended 31/12/2019	Previous year ended 31/03/2019
		UNAUDITED	UNAUDITED	UNAUDITED	AUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1	Total Income from Operations	383.64	514.50	1,165.31	1,987.80	407.95	545.75	1,230.33	2,085.41
2	Net Profit/ (Loss) for the period before exceptional items & tax	(1,068.50)	(832.26)	(3,071.34)	(3,390.20)	(1,065.32)	(825.68)	(3,070.09)	(3,387.20)
3	Net Profit/ (Loss) for the period before Tax(after Exceptional items)	(1,068.50)	(832.26)	(3,071.34)	(3,390.20)	(1,065.32)	(825.68)	(3,070.09)	(3,387.20)
4	Net Profit/ (Loss) for the period after Tax	(1,068.50)	(832.26)	(3,071.34)	(3,390.20)	(1,065.32)	(825.68)	(3,070.09)	(3,388.07)
5	Total Comprehensive Income for the period (Comprising net profit/(loss) after tax and other comprehensive income after tax)	(1,068.50)	(832.26)	(3,071.34)	(3,397.58)	(1,065.34)	(830.89)	(3,071.84)	(3,395.82)
6	Paid up Equity Share Capital				630.00				630.00
7	Other Equity excluding revaluation reserves				(10,364.94)				(10,357.83)
8	Earnings Per Share (of Rs.10 each) for continuing and discontinued operations- (not annualised)								
	1. Basic :	(16.96)	(13.21)	(48.75)	(53.81)	(16.91)	(13.11)	(48.73)	(53.78)
	2. Diluted :	(16.96)	(13.21)	(48.75)	(53.81)	(16.91)	(13.11)	(48.73)	(53.78)

Note:

1. The above is an extract of the detailed format of Financial Results for the Quarter and Nine Months ended December 31, 2019 filed with the Stock Exchanges under Regulation 33 of the SEBI (Listing and Other Disclosure Requirements) Regulations, 2015. The full format of the Quarterly Financial Results are available on the website of the company at www.mtnl.net.in and on the Stock Exchange websites at www.bseindia.com and www.nseindia.com.

2. The above results have been reviewed and recommended for adoption by the Audit Committee in their meeting held on 14.02.2020 and approved by the Board of Directors of the Company at their meeting held on the same date.

3. The auditors of the company have carried out Limited Review of the above financial results for the quarter ended 31.12.2019.

4. The company has prepared these financial results in accordance with the Companies (Indian Accounting Standards) Rules 2015 prescribed under Section 133 of the Companies Act, 2013.

For and on behalf of the Board

(Sunil Kumar)

Chairman & Managing Director

DIN No. 06628803

Place: New Delhi

Date: 14.02.2020

SUNIL KUMAR & ASSOCIATES New Delhi Chartered Accountants

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

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Independent Auditor's Review Report on Standalone Unaudited Quarterly and Nine Months Ended December 31st, 2019 Financial Results of Mahanagar Telephone Nigam Limited Pursuant to the Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended

To
The Board of Directors
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sadan,
5th Floor, 9, CGO Complex,
Lodhi Road, New Delhi - 110 003

1. We have reviewed the accompanying statement of unaudited standalone financial results ("The Statement") of MAHANAGAR TELEPHONE NIGAM LIMITED ("The Company") for the quarter and nine months ended December 31st, 2019, attached herewith, being submitted by the Company pursuant to the requirements of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

   This statement is the responsibility of the Company's Management has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard-34 "Interim Financial Reporting" ("Ind-AS 34"), specified under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India and has been approved by the Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.

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

VINOD KUMAR & ASSOCIATES * Chartered Accountants * New Delhi

Kumar Vijay Gupta & Co. * Chartered Accountants * New Delhi

9

3. Basis for Qualified Conclusion

Based on the information provided to us by the Management of Mahanagar Telephone Nigam Limited, we have given in the Annexure – I to this report the basis for qualified conclusions.

4. Qualified Conclusion

Based on our review conducted as stated above, except for the observations / matters mentioned in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited standalone financial results read with notes thereon, prepared in accordance with the applicable Indian Accounting Standards (Ind-AS) and other recognized accounting practices and policies generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 , as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

5. Emphasis of Matter

(i) With reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961 we are unable to comment on the adequacy or otherwise of the provision and / or contingency reserve held by the Company.

(ii) Impact of accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets.

(iv) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL and the matter has been under review with DOT and the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the unaudited standalone financial results of the company.

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

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

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

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

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

(ix) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts.

(x) In pursuance DoT letter No. F.No. 30-04/2019-PSU Affairs dt. 29 October, 2019 and decision of Board of Directors of MTNL through circular regulation on 4th November 2019, the MTNL Voluntary Retirement Scheme has been introduced with effect from 4th November 2019 under which 14,387 number of MTNL employees opted for VRS and the expenditure of ex-gratia on account of compensation to be borne by the DOT/Government of India through budgetary supports as per approval of cabinet. As such no provision of VRS compensation is considered in this quarter. Actuarial provision

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Kumar Vijay Gupta & Co. Chartered Accountants New Delhi

for gratuity includes Rs. 38.48 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 2876 number of employees on account of VRS on 31.01.2020. The provision for leave encashment also includes Rs. 99.86 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 14387 number of employees on account of VRS on 31.01.2020.

Our conclusion is not modified in respect of aforesaid matters.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

CA Mukesh Dadhich
Partner
Membership No.: 511741
UDIN: 20511741AAAAEV5814

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

CA Alok Jain
Partner
Membership No.: 095345
UDIN: 20095345AAAAAM3606

Place: New Delhi
Date: 14th February 2020

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Annexure – I to the Independent Auditors' Review Report
(Referred to in Para 3 of our report of even date)

1. The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the quarter ended and nine months ended December 31st, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially.

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

   However, the unaudited standalone financial results of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India.

   Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

2. **Bharat Sanchar Nigam Limited (BSNL):**

   a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs.3,474.53 Crores out of which Rs. 2,627.32 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the unaudited standalone financial results of the Company for the quarter ended December 31st, 2019.

   b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward and ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

3. The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 328.82 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the unaudited standalone financial results of the Company.

4. Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction

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Kumar Vijay Gupta & Co. * New Delhi

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 Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.

5. The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the unaudited standalone financial results is not ascertained and quantified.

6. Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the quarter ended on December 31st, 2019, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.

7. The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the unaudited standalone financial results are not ascertainable and quantifiable.

8. Unlinked credit of 40.37 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated.

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

10. 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

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Kumar Vijay Gupta & Co. Chartered Accountants New Delhi

14

comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the unaudited standalone financial results cannot be ascertained and quantified.

11. Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

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

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

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the unaudited standalone financial results of the Company.

The above observations/conclusions referred to in Para no. 1 to 11 were subject matter of qualification in the Auditor's Report for the year ended on March 31st, 2019.

The overall impact of matters referred to in above paras except para no. 1, 2(a), 3, 4, 5, 6, 7, 9, 10 and 11 on the attached unaudited standalone financial results of the Company is not determinable.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

CA Mukesh Dadhich
Partner
Membership No.: 511741
UDIN: 20511741AAAAEV5814

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

CA Alok Jain
Partner
Membership No.: 095345
UDIN: 20095345AAAAAM3606

Place: New Delhi
Date: 14th February 2020

15

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Independent Auditor's Review Report on the Quarterly and Nine Months Ended December 31st, 2019 Unaudited Consolidated Financial Results of the Company Pursuant to the Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended

To
The Board of Directors
Mahanagar Telephone Nigam Limited
Mahanagar Doorsanchar Sadan,
5th Floor, 9, CGO Complex,
Lodhi Road, New Delhi - 110 003

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of Mahanagar Telephone Nigam Limited ("The Parent") and its subsidiaries (the Parent and its subsidiaries together referred to as "The Group"), and its share of the net profit after tax and total comprehensive income of its a joint venture for the quarter and nine months ended December 31st, 2019 ("The Statement") attached herewith, being submitted by the Parent pursuant to the requirement of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

   This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013, and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.

2. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

16

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

3. The Statement includes the results of the following entities:

(a) List of Subsidiaries:

- Mahanagar Telephone (Mauritius) Limited ('MTML')
- Millenium Telecom Limited
- MTML International Limited (subsidiary of MTML)
- MTML Data Limited (subsidiary of MTML)

(b) List of Joint Ventures:

- MTNL STPI IT Services Limited ('MSISL')

4. **Basis for Qualified Conclusion**

Based on the information provided to us by the Management of Mahanagar Telephone Nigam Limited, we have given in the Annexure – I to this report the basis for qualified conclusions.

5. **Qualified Conclusion**

Based on our review conducted and procedures performed as stated in paragraph 2 above and based on the interim financial results and other financial information certified by the management of parent company referred to in paragraph 7 below, except for the observations / matters mentioned in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying Statement, prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, has not disclosed the information required to be disclosed in terms of Regulation 33 and 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.

6. **Emphasis of Matter**

(i) With reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Parent Company u/s 80 IA of the Income Tax Act, 1961 we are unable to comment on the adequacy or otherwise of the provision and / or contingency reserve held by the Parent Company.

(ii) Impact of 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,

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17

in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iii) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets.

(iv) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL and the matter has been under review with DOT and the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the unaudited consolidated financial results.

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

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

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

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

(ix) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts and ECL as per Ind AS.

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

(x) In pursuance DoT letter No. F.No. 30-04/2019-PSU Affairs dt. 29 October, 2019 and decision of Board of Directors of MTNL through circular regulation on 4th November 2019, the MTNL Voluntary Retirement Scheme has been introduced with effect from 4th November 2019 under which 14,387 number of MTNL employees opted for VRS and the expenditure of ex-gratia on account of compensation to be borne by the DOT/Government of India through budgetary supports as per approval of cabinet. As such no provision of VRS compensation is considered in this quarter. Actuarial provision for gratuity includes Rs. 38.48 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 2876 number of employees on account of VRS on 31.01.2020. The provision for leave encashment also includes Rs. 99.86 Crore during this quarter on account of change in the actuarial assumption due to premature retirement of 14387 number of employees on account of VRS on 31.01.2020.

Our conclusion is not modified in respect of aforesaid matters.

7. The Statement includes interim financial results and other financial information of 2 subsidiaries whose interim financial results and other financial information reflect total assets of Rs. 172.69 crore as at December 31st,2019, total revenues of Rs. 25.59 crore and Rs. 67.63 crore, and total comprehensive income of Rs. 1.66 crore and Rs. 1.02 crore, for the quarter ended and nine months ended December 31st, 2019, respectively, and the interim financial results and other financial information of 1 joint venture which reflects Group's share of total comprehensive income of Rs. 0.23 crore and Rs. 0.86 crore, for the quarter ended and nine months ended December 31st, 2019, respectively which are certified by the Management. According to the information and explanations given to us by the Management, these interim financial results and other financial information are not material to the Group. Our conclusion on the Statement is not modified in respect of this matter.

For Vinod Kumar & Associates
Chartered Accountants
Firm Registration No.: 002304N

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

CA Mukesh Dadhich
Partner
Membership No.: 511741
UDIN: 20511741AAAAEW1833

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

CA Alok Jain
Partner
Membership No.: 095345
UDIN: 20095345AAAAAN7238

Place: New Delhi
Date: 14th February 2020

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Annexure – I to the Independent Auditors' Review Report

(Referred to in Para 3 of our report of even date)

1. The Net Worth of the Parent Company has been fully eroded; The Parent Company has incurred net cash loss during the quarter ended and nine months ended December 31st, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially.

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

   However, the consolidated unaudited financial results have been prepared on a going concern basis keeping in view the majority stake of the Government of India.

   Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

2. **Bharat Sanchar Nigam Limited (BSNL):**

   a) The Parent Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,474.53 Crores out of which Rs. 2,627.32 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated unaudited financial results for the quarter and nine months ended December 31st, 2019.

   b) The Parent Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward and ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

20

3. The Parent Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 328.82 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated unaudited financial results.

4. Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Parent Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.

5. The Parent Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated unaudited financial results is not ascertained and quantified.

6. Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the quarter ended on December 31st, 2019, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.

7. The Parent Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated unaudited financial results are not ascertainable and quantifiable.

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

21

8. Unlinked credit of Rs. 40.37 Crores on account of receipts from subscribers against billing by the Parent Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated.

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

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

11. Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Parent Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

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

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

    In view of the above we are not in a position to comment on the correctness of the stand taken by the Parent Company and the ultimate implications of the same on the consolidated unaudited financial results for the quarter ended and nine months December 31st, 2019.

    The above observations/conclusions referred to in Para no. 1 to 11 were subject matter of qualification in the Auditor's Report for the year ended on March 31st, 2019.

VINOD KUMAR & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

22

The overall impact of matters referred to in above paras except para no. 1, 2(a), 3, 4, 5, 6, 7, 9, 10 and 11 on the attached consolidated unaudited financial results is not determinable.

For Vinod Kumar & Associates
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Partner
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For Kumar Vijay Gupta & Co.
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Place: New Delhi
Date: 14th February 2020

23