



## MAHANAGAR TELEPHONE NIGAM LIMITED

(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501

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MTNL/SECTT/SE/2025

August 21, 2025

<b>To,</b> <b>BSE Limited,</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001. <b>Scrip Code: 500108</b>	<b>To,</b> <b>National Stock Exchange of India Limited (NSE)</b> Exchange Plaza, Plot No. C/1, G Block Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 <b>Scrip Symbol: MTNL</b>
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**SUB: COMPLIANCE OF REGULATION 30 OF SEBI (LODR) REGULATIONS, 2015- DISCLOSURE OF EVENTS OR INFORMATION – RATING GIVEN BY M/S INDIA RATINGS AND RESEARCH PVT LTD TO BONDS ISSUED BY MTNL – SUBMISSION OF PRESS RELEASE - reg**

Dear Sir,

In compliance of Regulation 30 of SEBI (LODR), 2015, this is to inform you that M/s India Ratings and Research Pvt Ltd has given its Press Release on Rating of Bonds Issued by MTNL dated August 20, 2025. Copy of aforesaid Press Release is attached herewith.

Kindly take the same on record.

Thanking You

Yours Faithfully,

**RATAN MANI SUMIT**  
**COMPANY SECRETARY**

## India Ratings Maintains Mahanagar Telephone Nigam's NCDs on Rating Watch with Negative Implications

Aug 20, 2025 | Telecom - Cellular & Fixed line services

India Ratings and Research (Ind-Ra) has maintained Mahanagar Telephone Nigam Limited's (MTNL) non-convertible debentures (NCDs) on Rating Watch with Negative Implications as follows:

### Details of Instruments

Instrument Type	Date of Issuance	Coupon Rate	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures* <sup>^</sup>	-	-	-	INR175.71	IND AAA(CE)/Rating Watch with Negative Implications	Maintained on Rating Watch

\*Details in annexure

<sup>^</sup> Credit ratings with (CE) suffix indicates that the instruments are supported by an external explicit credit enhancement (CE). Please refer to section DISCLOSURES FOR CE RATING for additional details as per The Securities and Exchange Board of India's (SEBI) master circular dated 16 May 2024.

### Analytical Approach

The CE rating is assigned based on the presence of a pre-default guarantee from the parent, government of India (GoI), along with a structured payment mechanism monitored by a third-party trustee.

### Detailed Rationale of the Rating Action

Ind-Ra had placed the ratings on the Rating Watch with Negative Implications, owing to the non-adherence to the trustee administered structured payment mechanism for series VII-D and VIII-B bonds in August 2024, wherein there was a breach of T-3 trigger date. As per the structured payment mechanism, the funds should be infused in the designated account by the GoI three days prior to the due date; however, in both the instances, it was delayed by one-to-two days. Additionally, there was one more instance in September 2024, wherein the T-3 trigger date was breached for series VIII-D bonds. That said, in all these instances, there was no delay in servicing the debt obligations as the designed account was funded by GoI before the due date.

Additionally, for all the subsequent interest payments, while there was a breach of T-10 days wherein the funds were not deposited in designated escrow account 10 days prior to the due date by MTNL, owing to liquidity challenges at the company, and hence on T-8th day, the trustee has invoked the guarantee. The GoI has been consistently funding the designated escrow account before T-3 trigger date. Ind-Ra is still awaiting a confirmation from the issuer on the process to be followed in the near to medium term for the upcoming bond repayments and steps to be taken to ensure adherence to the structured payment mechanism in the near to medium term. As the non-adherence to the structured payment mechanism will pose risks for a delay in serving the rated bonds, the agency intends to monitor the adherence of the payment mechanism on the bonds issued by MTNL and hence continues to keep them on rating watch.

### List of Key Rating Drivers

#### Strengths

- Adequacy of CE structure assessment - NCD rating are underpinned by GoI guarantee
- Strong operational and legal linkages with GoI

#### Weaknesses

- Delays in funding designated account

### Detailed Description of Key Rating Drivers

**Adequacy of CE Structure Assessment - NCD Rating Underpinned by Gol Guarantee:** The rating continues to reflect the absolute, unconditional, and irrevocable pre-default guarantee extended by the Gol for the timely repayment of principal and interest on the rated NCDs. It is a continuing guarantee and shall remain in force and effect until the full tenure of NCDs. All payments pertaining to the servicing of bonds will be deposited into a designated trust and retention account. The account is operated through the trustee-monitored payment mechanism to ensure servicing of the bond obligations on-or-before the payment due date. A tri-patriate guarantee agreement has been signed among the Department of Telecommunications (DoT, on behalf of the President of India), debenture trustee (Beacon Trusteeship Ltd) and MTNL; wherein the Gol has to obtain all consents, approvals and permissions necessary for enforceability of the agreement.

**Strong Operational and Legal Linkages with Gol:** The Gol directly owns 56.25% of MTNL, and out of MTNL's total debt (including lease liabilities), about 71% at FYE25 (FYE24: about 76%) was secured by a pre-default guarantee structure provided by the Gol. Also, the Gol through administrative ministry appoints all the board of directors and key management personnel of MTNL. The company was set up by the Gol to provide telecommunication services in Delhi and Mumbai. Over the years, the Gol has been providing various kinds of financial and non-financial support to MTNL, which is factored into the rating. However, the company continues to be classified as 'incipient sick central public sector enterprise' by the Gol.

Ind-Ra believes the government may continue to support liquidity of MTNL. However, the support mechanism would be much more need-based, measured and gradual; rather than automatic and unconditional.

**Delays in Funding Designated Account:** As per the structure, MTNL has to fund the trust and retention account 10 days prior to the due date for interest payments/principal repayments. In the absence of which, the trustee can invoke the guarantee. Consequent to such invocation, the designated account had to be funded by the Gol three days prior to the due date.

As per the structured payment mechanism, the designated trust and retention account is to be funded by MTNL 10 calendar days i.e. (T-10) th day prior to the due date, to the tune of the interest and/or principal obligations on the bonds, which is not happening due to insufficient funds at MTNL level as disclosed on the exchanges since July 2024. Hence, as per the structured payment mechanism mentioned in the debenture trustee deed, the trustee has been sending the notice of invocation of guarantee to the Gol for funding the interest payments on the bonds on (T-8th day). There were three instances for series VII-D, VIII-B, VIII-D, during August and September 2024, wherein there was a delay of 1-2 days by the Gol to fund the designated escrow account by T-3 th day, hence the breach of the structured payment mechanism. That said, the Gol had funded the account on these instances before the due date of payment to the bond holders, hence there was no delay in the interest payment.

Additionally, on all other instances (other than the three highlighted above), the Gol has been funding the designated account on or before the T-3 days. However, Ind-Ra is still awaiting confirmation from the issuer on the process to be followed in the near to medium term for the upcoming bond repayments and steps to be taken to ensure adherence to the structured payment mechanism in the near to medium term, hence remains a key monitorable.

Ind-Ra understands that the escrow account maintained for the purpose of the bonds is maintained with Bank of India (BoI) and remains a lien free account since even after MTNL's loan accounts with BoI slipping into non-performing account (NPA) on 4 September 2024, the bond repayment is getting done from the escrow account maintained with BoI on timely manner after fund infusion as per the structured mechanism by Gol.

## Liquidity

**Adequate; Supported by Strong Parentage:** Ind-Ra believes the liquidity is supported by the trustee-controlled pre-default payment mechanism. As per the tri-patriate guarantee agreement, the liability of bond constitutes a direct and general obligation of the Gol.

The liquidity is supported by the company's issuance of INR109.1 billion bonds in FY23 and INR66.6 billion bonds in FY24. The issuances are a part of the total proposed issuances of INR176 billion as per the revival plan. The repayments of the NCDs are happening on a timely basis, also confirmed by the trustee.

## Rating Sensitivities

The Rating Watch with Negative Implications indicates that rating may be either affirmed or downgraded. Ind-Ra will continue to monitor the key developments and shall resolve the watch within next six months upon (a) confirmation of funding of the designated account and (b) on receiving sustained visibility about the adherence of the structured payment mechanism on the bonds rated by the agency over the near to medium term.

Further delays in funding the designated account beyond the due date shall remain a key rating sensitivity.

## Disclosures for CE Rating

## 1) Unsupported Rating

Ind-Ra has affirmed the unsupported rating at 'IND D'

**Analytical Approach:** To arrive at the ratings, Ind-Ra continues to factor in MTNL's strong legal and operational linkages with MTNL's parent, GoI, which holds a 56.25% stake.

### Detailed Rationale of the Rating Action

The rating reflects a consistent delay in bank debt servicing by the company.

### List of Key Rating Drivers

#### Weakness

- Weak financial profile
- Default in debt servicing
- Intense competition; technological and regulatory risk
- Moderate market positioning

#### Strengths

- Revival plan for MTNL

### Detailed Description of Key Rating Drivers

**Weak Financial Profile:** MTNL's total revenue declined to INR7.0 billion in FY25 (FY24: INR8.0 billion; FY23: INR9.4 billion), primarily due to the decrease in the subscriber base. MTNL's debt service coverage ratio (DSCR) remained weak, owing to the continued operating losses over the past few years (FY25: loss of INR4.8 billion; FY24: loss of INR4.9 billion; FY23: loss of INR4.5 billion). Additionally, the gross debt increased to INR324.4 billion at FYE25 (FYE24: INR301.4 billion; FYE23: INR283.5 billion). The EBITDA and gross debt numbers are as per Ind-Ra's calculations.

**Default in Debt Servicing:** MTNL has been categorised as NPA over non-payment of dues by all the bankers, as per the press release by the company on the exchanges and also confirmed to the agency by bankers during its banker's verification. This is owing to the tight liquidity at the standalone level in Ind-Ra's view. The accounts have been frozen except transactions being continued in designated bond escrow account.

**Intense Competition; Technological and Regulatory Risk:** The domestic telecom landscape has remained extremely competitive and dynamic. After witnessing a significant erosion over FY17-FY19, industry-wide average revenue per user has shown some recovery from FY20. The incumbents are likely to protect any major subscriber loss by offering attractive tariffs and better services. The industry has seen frequent changes in technologies as well as regulatory policies, which may make some of the investment redundant. Ind-Ra will continue to monitor the regulatory and technological landscape in the Indian telecom industry.

**Moderate Market Positioning:** MTNL caters to a wide range of customers through its offerings which can be broadly divided into fixed telephone line, enterprise business and mobile business. According to the Telecom Regulatory Authority of India, MTNL had a total wireline subscriber base of 1.8 million in Delhi and Mumbai, with a market share of 15% in Delhi as of June 2025 (March 2025: 21%; March 2024: 22%; March 2023: 25%) and 18% in Mumbai (30%, 34%, 39%). MTNL's wireline subscriber base and market share have been coming down since FY15 due to the intense competition from players offering 4G and 5G wireless services. MTNL had a rather small wireless subscriber base of 0.3 million in June 2025 (March 2025: 1.0 million; March 2024: 1.9 million; March 2023: 2.3 million).

**Revival Plan for MTNL:** In July 2022, the union cabinet had approved a revival plan for MTNL to make the company financially viable. A few measures are as follows:

- Raise long-term bonds of INR176 billion backed by a sovereign guarantee for the repayment of the debt
- A committee of secretaries is formed to recommend the way forward for the merger of Bharat Sanchar Nigam Limited (BSNL; NCDs rated at ['IND AAA\(CE\)/Stable'](#), unsupported rating: 'IND BBB'/Stable) and MTNL. The GoI would provide support of INR16 billion.
- Sanctioning capex of INR225 billion for three years through equity infusions in BSNL, which includes capex of INR19 billion for MTNL as well.

As against the revival plan, the company has raised NCDs worth INR176 billion over FY23-FY24.

### Liquidity

**Poor:** MTNL's cash flows have not been adequate to support its debt servicing. On a consolidated basis, MTNL had moderate cash levels of INR1.8 billion at FYE25 (FYE24: INR0.9 billion; FYE23: INR3.2 billion) and the average utilisation of the fund-based bank lines was around 104% for the 12 months ended June 2025. While the unguaranteed portion of debt reduced to about 29% in FY25 (FY24: about 24%; FY23: about 34%). Ind-Ra believes the liquidity at the standalone level is weak. That said, the guaranteed debt backed by a payment structure mechanism continues to be serviced on time. The agency awaits greater visibility on the likely asset monetisation and/or support from the government to aid its liquidity position in the short-to-medium term from the management.

### Rating Sensitivities

**Negative:** Not applicable

**Positive:** Timely debt servicing for at least three consecutive months could result in a positive rating action.

## 2) Instrument Covenants

Refer to Annexure

## 3) Adequacy of CE Structure

The CE rating is driven by the absolute, unconditional, and irrevocable pre-default guarantee extended by the Gol for the timely repayment of principal and interest on the rated NCDs for the full tenure. The account is operated through a trustee-monitored payment mechanism to ensure servicing of the bond obligations on-or-before the payment due date. A tri-patriate guarantee agreement has been signed between the DoT (on behalf of the President of India), trustee and MTNL; wherein the Gol has to obtain all consents, approvals and permissions as are necessary for enforceability of the agreement.

## Any Other Information

Not applicable

## ESG Issues

**ESG Factors Minimally Relevant to Rating:** Internal financial control under the financial transparency has relevance to and large impact on MTNL's credit rating. MTNL's auditors have provided a qualified opinion on its internal financial control.

Except the above, other ESG issues are credit neutral or have only a minimal credit impact on MTNL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please [click here](#). For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please [click here](#).

## About the Company

MTNL was incorporated by the Gol in 1986 with the aim of upgrading the quality of telecom services, expanding the telecom network and introducing new services for India's key metros, Delhi and Mumbai. MTNL's operations span various telecom services including fixed telephone line, broadband, global system for mobile communication, internet, integrated services digital network and leased line services.

## Key Financial Indicators

Particulars*	FY25	FY24
Revenue (INR billion)	7.0	8.0
EBITDA (INR billion)	-4.8	-4.9
EBITDA margin (%)	-68.8	-61.1
Interest expense (INR billion)	29.2	26.9
Gross debt (INR billion)	324.4	301.4
Source: MTNL, Ind-Ra		
*EBITDA and gross debt are as per Ind-Ra's calculations		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook					
	Rating Type	Rated Limits (billion)	Rating/Outlook	21 February 2025	22 August 2024	3 July 2024	11 July 2023	17 May 2023	1 November 2022
Non-convertible debentures	Long-term	INR175.71	IND AAA(CE)/Rating Watch with Negative Implications	IND AAA(CE)/Rating Watch with Negative Implications	IND AAA(CE)/Rating Watch with Negative Implications	IND AAA(CE)/Stable	IND AAA(CE)/Stable	IND AAA(CE)/Stable	IND AAA(CE)/Stable
Unsupported rating	Long-term	-	IND D	IND D	IND D	IND D	IND B-/Stable	IND B-/Stable	IND B-/Stable

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debentures	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Annexure

### Annexure I: Payment Structure for Bonds

The following payment structure (wherein 'T' is assumed to be the due date for interest and/or principal payments) is envisaged for meeting obligations of the rated bonds.

#### Interest and/or Principal payment

Trigger Date	Action Point
(T-30)th day	The trustees to inform MTNL and the Gol in writing regarding the due date for payment of interest and/or principal amount so that the necessary arrangements could be made for meeting the interest and/or principal payment obligations on the bonds.
(T-10)th day	The designated trust and retention account is to be funded by MTNL to the tune of the interest and/or principal obligations on the bonds.
(T-8)th day	If the designated trust and retention account is not funded to the requisite extent by (T-8)th day, the trustees shall forthwith invoke the Gol guarantee by sending a notice of invocation to the Gol.
(T-3)th day	Last date by which the Gol shall deposit requisite funds in the designated trust and retention account as per the notice of invocation served by the trustees.

### Annexure II: Covenants for Bonds

N/A

### Annexure III:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCD	INE153A08105	15 November 2022	8.00	15 November 2032	INR61.096	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08113	1 December 2022	7.87	1 December 2032	INR27.579	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08121	10 February 2023	7.78	10 February 2033	INR16.176	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08139	24 February 2023	7.80	24 February 2033	INR3.615	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08147	24 March 2023	7.75	24 March 2033	INR0.634	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08154	20 July 2023	7.59	20 July 2033	INR24.8	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08162	24 August 2023	7.61	24 August 2033	INR10.55	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08170	7 November 2023	7.80	7 November 2033	INR25.7	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08188	6 March 2024	7.51	6 March 2034	INR5.56	IND AAA(CE)/Rating Watch with Negative Implications
Total					INR175.71	

Source: NSDL, MTNL

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## About India Ratings

India Ratings and Research (Ind-Ra) is India's most respected credit rating agency committed to providing India's credit markets accurate, timely and prospective credit opinions. Built on a foundation of independent thinking, rigorous analytics, and an open and balanced approach towards credit research, Ind-Ra has grown rapidly during the past decade, gaining significant market presence in India's fixed income market.

Ind-Ra currently maintains coverage of corporate issuers, financial institutions (including banks and insurance companies), finance companies, urban local bodies, and structured finance and project finance companies.

Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Gurugram, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India and the Reserve Bank of India.

Ind-Ra is a 100% owned subsidiary of the Fitch Group.

### Solicitation Disclosures

Additional information is available at [www.indiaratings.co.in](http://www.indiaratings.co.in). The ratings above were solicited by the issuer, and therefore, India Ratings has been compensated for the provision of the ratings.

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## APPLICABLE CRITERIA AND POLICIES

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### Evaluating Corporate Governance

### Corporate Rating Methodology

### Policy for Placing Ratings on Rating Watch

### Policy for Credit Enhanced (CE) Ratings

### Treatment and Notching of Hybrids in Nonfinancial Corporates

### Default Recognition and Post-Default Curing Period

### The Rating Process

### Parent and Subsidiary Rating Linkage

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