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

MTNL/ SECTT/SE/2013
November 13, 2013

The Secretary, Stock Exchanges
Delhi/Mumbai/Calcutta/Chennai
National Stock Exchange/OTCQX

Sub: Un-audited Reviewed Financial Results for the Quarter ended 30th September, 2013

Dear Sir,

Further to our letter of even number dated 04/11/2013 regarding the Board Meeting for un-audited Reviewed Financial Results for the quarter ended on 30th September, 2013, we are forwarding herewith the un-audited Reviewed Financial Results along with the Limited Review Report submitted by the Statutory Auditors of MTNL for the Quarter ended 30th September, 2013.

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

Thanking You,

Yours Faithfully

(S.R.SAYAL)
COMPANY SECRETARY

Enclosed : As above.

Annexure A

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Govt. of India Enterprise)

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

STATEMENT OF STANDALONE UNAUDITED REVIEWED FINANCIAL RESULTS FOR THE QUARTER AND SIX MONTHS ENDED ON 30/09/2013

(Rs. in Million)

S. No.	Particulars	3 months ended 30/09/2013	Preceding 3 months ended 30/06/2013	Corresponding 3 months ended 30/09/2012 in the previous year	Year to date figures for Current period ended 30/09/2013	Year to date figures for the previous year ended 30/09/2012	Previous year ended 31/03/2013
	(Refer Notes Below)	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1	2	3	4	5	6	7	8
1	**Income from operations**						
	(a) Net income from operations	8,084.44	8,831.62	8,374.22	16,916.06	16,679.09	34,188.67
	(b) Other operating income	50.11	-	46.25	50.11	71.44	97.96
	Total income from operations (Net)	**8,134.55**	**8,831.62**	**8,420.47**	**16,966.17**	**16,750.53**	**34,286.63**
2	**Expenses**						
	(a1) Employee benefits other than retirement benefits	5,236.07	5,169.10	4,618.81	10,405.17	9,356.88	18,289.16
	(a2) Employee benefits for retirement benefits (Actual Payouts)	1,752.35	1,809.55	1,295.35	3,561.90	2,564.19	5,732.47
	(a3) Employee benefits for retirement benefits (Provisions)	1,213.01	4,585.03	3,787.22	5,798.04	7,574.45	24,992.02
	(b) Revenue Sharing	1,048.80	1,121.35	1,063.29	2,170.15	2,210.98	4,508.94
	(c) Licence Fees and Spectrum Charges	691.65	651.85	624.82	1,343.50	1,353.41	2,912.79
	(d) Depreciation and Amortisation expense	3,621.60	3,610.15	3,625.34	7,231.75	7,305.91	14,769.42
	(e) Administrative, Operative & Other Expenses	1,908.25	1,754.27	2,002.05	3,662.52	3,724.11	7,344.66
	Total Expenses	**15,471.74**	**18,701.30**	**17,016.88**	**34,173.04**	**34,089.93**	**78,549.46**
3	**Profits/ (Loss) from Operations before other income, Finance cost and exceptional items (1-2)**	(7,337.18)	(9,869.69)	(8,596.41)	(17,206.87)	(17,339.40)	(44,262.83)
4	Other Income	1,341.54	514.56	447.70	1,856.10	1,325.13	2,854.20
5	**Profit / (Loss) from ordinary activities before Finance cost and exceptional items (3+4)**	(5,995.64)	(9,355.13)	(8,148.71)	(15,350.77)	(16,014.27)	(41,408.63)
6	Finance cost	3,474.84	3,206.78	2,788.54	6,681.62	5,515.83	11,802.60
7	**Profit / (Loss) from ordinary activities after Finance cost but before exceptional items (5-6)**	(9,470.48)	(12,561.92)	(10,937.25)	(22,032.40)	(21,530.10)	(53,211.23)
8	Exceptional items	-	-	-	-	-	-
9	**Profit/ (Loss) from ordinary activities before tax (7-8)**	(9,470.48)	(12,561.92)	(10,937.25)	(22,032.40)	(21,530.10)	(53,211.23)
10	**Tax expense**						
	(a) Provision for Current Tax	-	-	-	-	-	-
	(b) Taxes for earlier period written back/paid	-	-	-	-	-	-
	(c) Provision for Deferred Tax	-	-	-	-	-	-
11	**Net Profit/ (Loss) from ordinary activities after tax (9-10)**	(9,470.48)	(12,561.92)	(10,937.25)	(22,032.40)	(21,530.10)	(53,211.23)
12	Extraordinary items	-	-	-	-	-	-
13	**Net Profit/ (Loss) for the period (11-12)**	(9,470.48)	(12,561.92)	(10,937.25)	(22,032.40)	(21,530.10)	(53,211.23)
14	**Paid-up equity share capital (Face value of Rs.10/-each)**	6,300.00	6,300.00	6,300.00	6,300.00	6,300.00	6,300.00
15	**Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year**						(34,144.26)
16	**Earning Per Share (EPS)**						
	(a) Basic and Diluted EPS (before extraordinary items)	(15.03)	(19.94)	(17.36)	(34.97)	(34.17)	(84.46)
	(b) Basic and Diluted EPS (after extraordinary items)	(15.03)	(19.94)	(17.36)	(34.97)	(34.17)	(84.46)
17	**Public shareholding**						
	(a) Number of shares	275,621,260	275,621,260	275,621,260	275,621,260	275,621,260	275,621,260
	(b) Percentage of shareholding	43.75%	43.75%	43.75%	43.75%	43.75%	43.75%
18	**Promoters and Promoter Group Shareholding**						
	a) Pledged/ Encumbered						
	- Number of shares	0	0	0	0	0	0
	- Percentage of shares (as a % of the total shareholding of the Promoter and Promoter group)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	- Percentage of shares (as a % of the total share capital of the company)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
	b) Non - encumbered						
	- Number of shares	354,378,740	354,378,740	354,378,740	354,378,740	354,378,740	354,378,740
	- Percentage of shares (as a % of the total shareholding of the Promoter and Promoter Group)	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
	- Percentage of shares (as a % of the total share capital of the company)	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%

19	The status of investor complaints received and disposed of during the 3 months ended on 30.09.2013 is as under:	
	Pending at the beginning of the quarter	0
	Received during the quarter	2
	Disposed of during the quarter	2
	Remained unresolved at the end of the quarter	0

Notes:

1. The above results have been reviewed and recommended for adoption by the Audit Committee in their meeting held on 13.11.2013 and approved by the Board of Directors of the Company at their meeting held on the same date. The Statutory Auditors have carried out a Limited Review of the financial results as required under Clause-41 of the Equity Listing Agreement. Figures of previous year /period have been revised/ reclassified/ regrouped whereever necessary to conform to current year/ period presentations.
2. The port charges are billed as per the extant position obtained in the ongoing litigation against TRAI's regulations reducing the port charges issued wef 01.10.2012 which are subject to the outcome of the Court Case.
3. DoT issued a demand for one time spectrum charges (2G Spectrum) amounting to Rs.32057.10 million. The policy regarding this has been challenged by other operators. This demand is subject to the decision of the Court on the policy itself and also based on amount of spectrum retained. As there is no finality on the liability and the quantum is not certain, no effect could be given in the financial results.
4. The provision for pensionary benefits are made on the basis of mid year projection as certified by the actuary.
5. Administrative, Operative & Other Expenses includes Prior Period Expenditure

For and on behalf of the Board

A. K. Garg
Chairman cum Managing Director

Place : New Delhi
Date : 13.11.2013

V.K. DHINGRA & CO. CHARTERED ACCOUNTANTS NEW DELHI

NEW DELHI

Annexure - I

MAHANAGAR TELEPHONE NIGAM LIMITED

STATEMENT OF STANDALONE UNAUDITED REVIEWED FINANCIAL RESULTS FOR THE HALF YEAR ENDED ON 30/09/2013

(Pursuant to Clause 4 of the Debt Securities Listing Agreement)

(Rs. in million)

S. No.	Particulars	6 months ended 30/09/2013	Corresponding 6 months ended 30/09/2012 in the previous year	Year to date figures for Current period ended 30/09/2013	Previous accounting year ended 31/03/2013
	(Refer Notes Below)	UNAUDITED	UNAUDITED	UNAUDITED	AUDITED
1	2	3	4	5	6
1	**Income from Operations**				
	(a) Net Income from Operations	16,916.06	16,679.09	16,916.06	34,188.67
	(b) Other Operating Income	50.11	71.44	50.11	97.96
	Total income from operations (Net)	**16,966.17**	**16,750.53**	**16,966.17**	**34,286.63**
2	**Expenses**				
	(a1) Employee benefits other than retirement benefits	10,405.17	9,356.88	10,405.17	18,289.16
	(a2) Employee benefits for retirement benefits (Actual Payouts)	3,561.90	2,564.19	3,561.90	5,732.47
	(a3) Employee benefits for retirement benefits (Provisions)	5,798.04	7,574.45	5,798.04	24,992.02
	(b) Revenue Sharing	2,170.15	2,210.98	2,170.15	4,508.94
	(c) Licence Fees and Spectrum Charges	1,343.50	1,353.41	1,343.50	2,912.79
	(d) Depreciation and Amortisation expense	7,231.75	7,305.91	7,231.75	14,769.42
	(e) Administrative, Operative & Other Expenses	3,662.52	3,724.11	3,662.52	7,344.66
	Total Expenses	**34,173.04**	**34,089.93**	**34,173.04**	**78,549.46**
3	**Profit/ (Loss) from Operations before other income, Finance cost and exceptional items (1-2)**	**(17,206.87)**	**(17,339.40)**	**(17,206.87)**	**(44,262.83)**
4	Other Income	1,856.10	1,325.13	1,856.10	2,854.20
5	**Profit/ (Loss) from ordinary activities before Finance cost & exceptional Items (3+4)**	**(15,350.77)**	**(16,014.27)**	**(15,350.77)**	**(41,408.63)**
6	Finance Cost	6,681.62	5,515.83	6,681.62	11,802.60
7	Exceptional items	-	-	-	-
8	**Profit/ (Loss) from ordinary activities before tax (5-6-7)**	**(22,032.40)**	**(21,530.10)**	**(22,032.40)**	**(53,211.23)**
9	**Tax expense**				
	(a) Provision for Current Tax	-	-	-	-
	(b) Taxes for earlier period written back/paid	-	-	-	-
	(c) Provision for Deferred Tax	-	-	-	-
10	**Net Profit/ (Loss) from ordinary activities after tax (8-9)**	**(22,032.40)**	**(21,530.10)**	**(22,032.40)**	**(53,211.23)**
11	Extraordinary items	-	-	-	-
12	**Net Profit/ (Loss) for the period (10-11)**	**(22,032.40)**	**(21,530.10)**	**(22,032.40)**	**(53,211.23)**
13	**Paid-up equity share capital (Face value of Rs.10/-each)**	**6,300.00**	**6,300.00**	**6,300.00**	**6,300.00**
14	**Paid up Debt Capital**	0.00	0.00	0.00	0.00
15	**Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year**				**(34,144.26)**
16	**Debenture Redemption Reserve**	0.00	0.00	0.00	0.00
17	**Earning Per Share (EPS)**				
	(a) Basic and Diluted EPS (before extraordinary items)	(34.97)	(34.17)	(34.97)	(84.46)
	(b) Basic and Diluted EPS (after extraordinary items)	(34.97)	(34.17)	(34.97)	(84.46)
18	**Debt Equity Ratio**	18.93	16.14	18.93	18.32
19	**Debt Service Coverage Ratio (DSCR)**	(2.30)	(2.90)	(2.30)	(3.51)
20	**Interest Service Coverage Ratio (ISCR)**	(2.30)	(2.90)	(2.30)	(3.51)

Notes:

1. The above results have been approved by the Board in its meeting held on 13.11.2013.
2. Administrative, Operative & Other Expenditure includes Prior Period Expenditure
3. Debt Service Coverage Ratio (DSCR)= Earnings before Interest and Tax/ (Interest + Principal Repayment)
4. Interest Service Coverage Ratio (ISCR)= Earnings before Interest and Tax/ Interest Expense

For and on behalf of the Board

A. K. Garg
Chairman & Managing Director

Place : New Delhi
Date : 13.11.2013

V.K. DHINGRA & CO. CHARTERED ACCOUNTANTS NEW DELHI

ARUN K. AGGARWAL & CO. CHARTERED ACCOUNTANTS NEW DELHI

MAHANAGAR TELEPHONE NIGAM LIMITED

STATEMENT OF ASSETS AND LIABILITIES

(Pursuant to Clause 41 (I) (ea) of the Equity Listing Agreement (as amended))

(Rs. in Million)

	Particulars	6 months ended 30/09/2013 UNAUDITED	Corresponding 6 months ended 30/09/2012 in the previous year UNAUDITED
A	**EQUITY AND LIABILITIES**		
1	**Shareholders' Funds**		
	(a) Share Capital	6,300.00	6,300.00
	(b) Reserves & Surplus	(56,334.81)	(2,422.32)
	Sub total Shareholders' Funds	**(50,034.81)**	**3,877.68**
2	**Non current liabilities**		
	(a) Long Term Borrowings	65,163.30	70,000.00
	(b) Other long Term Liabilities	31,652.83	30,211.31
	(c) Long Term Provisions	113,236.54	89,596.33
	Sub total Non current liabilities	**210,052.67**	**189,807.65**
3	**Current liabilities**		
	(a) Short Term Borrowings	54,092.17	31,680.51
	(b) Trade Payables	2,854.05	2,553.48
	(c) Other Current Liabilities	34,156.80	27,109.69
	(d) Short Term Provisions	6,476.47	7,681.90
	Sub total Current liabilities	**97,579.50**	**69,025.58**
	TOTAL - EQUITY AND LIABILITIES	**257,597.35**	**262,710.91**
B	**ASSETS**		
1	**Non current assets**		
	(a) Fixed Assets	153,316.09	161,464.78
	(b) Non Current Investments	2,019.79	2,219.79
	(c) Long Term Loans and Advances	46,632.75	47,362.06
	(d) Other Non Current Assets	39,284.11	34,445.48
	Sub total Non current assets	**241,252.74**	**245,492.11**
2	**Current assets**		
	(a) Current Investments	200.00	200.00
	(b) Inventories	698.31	940.95
	(c) Trade Receivables	3,721.40	3,903.91
	(d) Cash and Cash Equivalents	1,151.02	1,492.15
	(e) Short Term Loans and Advances	7,127.67	8,348.16
	(f) Other Current Assets	3,446.22	2,333.63
	Sub total Current assets	**16,344.61**	**17,218.80**
	TOTAL - ASSETS	**257,597.35**	**262,710.91**

V.K. DHINGRA & CO. CHARTERED ACCOUNTANTS NEW DELHI

ARUN K. AGARWAL & CO. CHARTERED ACCOUNTANTS NEW DELHI

MAHANAGAR TELEPHONE NIGAM LIMITED

STANDALONE UNAUDITED REVIEWED SEGMENT WISE REVENUE, RESULTS AND CAPITAL EMPLOYED FOR THE QUARTER AND SIX MONTHS ENDED ON 30/09/2013

(Rs. in Million)

S. No.	Particulars	3 months ended 30/09/2013	Preceding 3 months ended 30/06/2013	Corresponding 3 months ended 30/09/2012 in the previous year	Year to date figures for Current period ended 30/09/2013	Year to date figures for the previous year ended 30/09/2012	Previous year ended 31/03/2013
1	2	UNAUDITED 3	UNAUDITED 4	UNAUDITED 5	UNAUDITED 6	UNAUDITED 7	AUDITED 8
1.	**Segment Revenue**						
	Basic & other Services	6,408.25	6,740.71	6,688.91	13,148.96	13221.77	26961.09
	Cellular	1,787.28	2,154.06	1,844.12	3,941.34	3677.53	7593.17
	Unallocable	0.00	0.00	0.00	0.00	0.00	0.00
	Total	**8195.52**	**8894.78**	**8533.02**	**17090.30**	**16899.30**	**34554.26**
	Less: Inter unit Revenue- Basic	49.30	50.81	83.18	100.11	108.46	213.30
	Less: Inter unit Revenue- Cellular	11.68	12.35	29.37	24.03	40.31	54.33
	Net Revenue from Operations	**8134.54**	**8831.62**	**8420.47**	**16966.17**	**16750.53**	**34286.63**
2.	**Segment Results before Interest income, Finance cost, Prior Period Items and Tax**						
	Basic & other Services	(4,996.04)	(7,521.84)	(5,868.74)	(12517.88)	(11885.12)	(31367.78)
	Cellular	(1,222.68)	(1,230.35)	(1,607.29)	(2453.03)	(3250.07)	(4797.60)
	Unallocable	(658.68)	(614.18)	(685.96)	(1272.86)	(1421.79)	(5655.20)
	Total	**(6877.40)**	**(9366.38)**	**(8161.99)**	**(16243.78)**	**(16556.98)**	**(41820.58)**
	Add: Interest Income	912.17	20.49	43.42	932.66	583.33	605.79
	Less: Finance cost	3474.84	3,206.78	2,788.54	6681.62	5515.83	11802.60
	Less: Prior Period items	30.41	9.24	30.14	39.65	40.61	193.84
	Profit / (Loss) before tax	**(9470.48)**	**(12561.92)**	**(10937.25)**	**(22032.40)**	**(21530.10)**	**(53211.23)**
	Less: Provision for Current Tax & Deferred Tax	0.00	0.00	0.00	0.00	0.00	0.00
	Less: Taxes for earlier period(s) written back/paid	0.00	0.00	0.00	0.00	0.00	0.00
	Profit / (Loss) after tax	**(9470.48)**	**(12561.92)**	**(10937.25)**	**(22032.40)**	**(21530.10)**	**(53211.23)**
3.	**Capital Employed (Segment Assets - Segment Liabilities)**						
	Basic & other Services	(53,318.79)	(50,138.02)	(30484.90)	(53318.79)	(30484.90)	(42574.37)
	Cellular	57,528.29	58,369.41	58903.85	57528.29	58903.85	59658.89
	Unallocable	(54,244.31)	(48,734.15)	(24541.27)	(54244.31)	(24541.27)	(44928.77)
	Total	**(50034.81)**	**(40502.76)**	**3877.68**	**(50034.81)**	**3877.68**	**(27844.25)**

Notes:

1. The figures of previous year/period have been revised/ regrouped/ reclassified wherever necessary to conform to current year/ period presentations.

Place : New Delhi
Date : 13.11.2013

V.K. DHINGRA & CO. CHARTERED ACCOUNTANTS NEW DELHI

ARUN K. AGARWAL & ASSOCIATES NEW DELHI CHARTERED ACCOUNTANTS

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LIMITED REVIEW REPORT

To
The Board of Directors,
Mahanagar Telephone Nigam Limited

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of Mahanagar Telephone Nigam Limited for the quarter & six months period ended on September 30, 2013 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been reviewed by us. This statement is the responsibility of the Company's management 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 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.

3. Based on our review conducted as above, *except for the observations / matters mentioned in Annexure – I to this report,* no other matter has come to our attention, that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with applicable accounting standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement including the manner in which it is to be disclosed or that it contains any material misstatement.

For ARUN K AGARWAL & ASSOCIATES
CHARTERED ACCOUNTANTS
FRN : 003917N

(SATISH GULATI)
PARTNER
M. No. 083897

For V. K. DHINGRA & CO.
CHARTERED ACCOUNTANTS
FRN : 000250N

(VIPUL GIROTRA)
PARTNER
M. No. 084312

PLACE : NEW DELHI
DATE : NOVEMBER 13, 2013

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ANNEXURE I TO THE LIMITED REVIEW REPORT ON STANDALONE UNAUDITED FINANCIAL RESULTS OF MAHANAGAR TELEPHONE NIGAM LIMITED FOR THE PERIOD ENDED SEPTEMBER 30, 2013
(Referred to in Para 3 of our report dated November 13, 2013)

1) *In respect of the qualifications/ other observations of previous audit reports and/ or limited review reports, though the Company has considered some of the qualifications/ other reservations, it has neither indicated how those qualifications/ other reservations have been resolved nor assigned any reason/ steps which the Company intends to take in respect of the qualification / other reservations remaining unresolved in compliance to Clause 41(iv)(c) of the Equity Listing Agreement.*

2) *In spite of the negative net worth of the company, the Financial Results have been prepared on Going Concern basis.*

3) *The balances appearing in Advance Tax, Provisions for Income Tax and Interest on Income Tax Refund accounts are subject to reconciliation with the tax records maintained by the Company and resultant adjustments thereof.*

4) *The Company has allocated 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 period has not been ascertained. Moreover, in the absence of confirmation of work completion & WIP (work in progress), authenticity and accuracy of amount outstanding and shown as WIP for extra ordinary time period cannot be examined. Accordingly consequential impact on the financial statement cannot be ascertained.*

5) *a) All the receivables and payables including amount receivable / payable from / to DOT / ITI, Inter Unit Accounts, bank balances, subscribers deposits pertaining to Delhi Unit and ITC cards are subject to confirmation and/or reconciliation. The Company is not making any provision for old unreconciled outstanding balances from DOT, Govt. agencies and other operators. Any consequential impact of the same on the financial results is not ascertainable.*

b) All the receivables and payables from / to BSNL are subject to confirmation and/or reconciliation. The Company is not making any provision for old unreconciled outstanding balances from BSNL.

During the Quarter ended on 30th September, 2013, MTNL has entered in to a Memorandum Of Understanding (MOU) dated 24th September, 2013 with BSNL, wherein certain decisions taken jointly by both the companies have been recorded. The MOU is applicable from 01.04.2013. However, in the absence of complete information a part of the MOU pertaining to national MPLS circuits and point to point circuits in Mumbai has

ARUN K AGARWAL & ASSOCIATES CHARTERED ACCOUNTANTS NEW DELHI

V.K. DHINGRA & CO. CHARTERED ACCOUNTANTS NEW DELHI

not been implemented in this quarter. Amounts recoverable / payable to BSNL on account of this MOU is also subject to acceptance by BSNL.
Any consequential impact of the above on the financial results is not ascertainable.

6) *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 Rs.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.*

On reconciliation of balance outstanding under refund due to subscribers account in Mumbai Unit with actual amount due for refund. Rs.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.

7) *Based on the expert opinion, the Company has not been deducting tax at source on services received from BSNL.*

8) *The liability on account of medical facilities to the retired/ existing employees has not been accounted for on actuarial basis. Rather the annual insurance premium paid for the policy for the purpose has been accounted for on year to year basis. The same is not in line with Accounting Standard - 15 "Employee Benefits" issued under the Companies (Accounting Standards) Rules, 2006.*

9) *From financial year 2012-13, the licence fee payable to DOT on IUC charges to BSNL has been worked out strictly as per the terms of Licence Agreement. However shortfall of Rs. 1403.63 million on this account for the period up to financial year 2011-12 shown as contingent liability in 2012-13 has not been provided for in the quarter ended on September 30, 2013 also resulting into understatement of losses to that extent.*

10) *Out of Rs. 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 Rs. 430 million remains unrecovered and unconfirmed. Also the said amount of Rs. 430 million is yet to be approved by the concerned authorities. Pending confirmation or 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 resulting into understatement of losses to that extent.*

11) *The Company had invested Rs. 1000 million in 8.75 % Cumulative Preference Shares M/s ITI Ltd in 2001-02. As per the revised repayment schedule, the said investment was to be redeemed in five equal installments starting from 2012-13. On default by M/s ITI Ltd. to meet its rescheduled obligations also, a provision was made by MTNL for first installment of Rs. 200 million only in 2012-13 instead of provision for full investment. No provision has been made on this account for the balance amount of Rs. 800 million in the quarter ended on September 30, 2013 also resulting into understatement of losses to that extent. However, as intimated by DOT, provision for this amount has been considered in the*

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revival plan of ITI Ltd. approved by BIFR and BRPSE which is subject to finalisation by the appropriate authorities.

12) *No impairment tests have been carried out on value of the fixed assets as at September 30, 2013. Due to recurring losses incurred by the Company and uncertainty in the achievement of projections made by the Company, we are unable to comment on the provisions, if any, required in respect of impairment of carrying value of the fixed assets and its consequential impact on the loss for the quarter ended on September 30, 2013.*

13) *The dues from operators and on account of disputed cases for billing to customers which are outstanding for less than three years in Basic and less than six months in wireless services have not been considered for making provision for Bad and Doubtful debts. The impact thereof is unascertainable.*

14) *During the financial year 2012-13 Department of Telecommunication (DOT)had raised a demand of Rs. 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. After correction in the demand for CDMA, the same was subsequently revised to Rs.32057.10 million.*

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 was created for the demand made by DOT on this account and Rs. 32057.10 million had 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 results of the company for the quarter ended on September 30, 2013 also.

15) *TRAI, vide its Order TRAI (Port Charges) Amendment Regulation (1) dated 02.02.2007 had reduced port charges to be charged by MTNL from private operators. Hon'ble TDSAT vide judgment dated 28.05.2010 set aside the said Regulation made by TRAI and directed a fresh consideration by TRAI. Against the said judgment, TRAI, COAI and private operators filed an appeal before Hon'ble Supreme Court of India challenging the judgment of Hon'ble TDSAT. The final orders of the Hon'ble Court on this matter are yet to be pronounced.*

Meanwhile TRAI issued The Telecommunication Interconnection (Port Charges) (Second Amendment) Regulations, 2012 dated 18.09.2012 vide which the Port charges were further reduced. MTNL has filed an appeal before Hon'ble TDSAT challenging the said Amendment and for stay on the operation of the impugned Regulation. Hon'ble TDSAT had rejected the prayer for interim relief vide its order dated 31.10.2012 and the matter is still pending before the Hon'ble TDSAT.

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Pending disposal of appeals by the Hon.ble TDSAT / respective courts. MTNL continues to account for the full amount of invoices raised on private operators as its income as against the amounts directed by TRAI in its aforesaid regulations.

In view of the matter being sub-judice, we are not in a position to comment on the correctness of the revenue accounted for on this account and the consequential impact of the same on the financial results of the Company.

16) The overall impact of matters referred to in above paras on the financial results of the company is not determinable.

For ARUN K AGARWAL & ASSOCIATES
CHARTERED ACCOUNTANTS
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(SATISH GULATI)
PARTNER
M. No. 083897

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PLACE : NEW DELHI
DATE : NOVEMBER 13, 2013