

ANNUAL REPORT 2008-2009



MTNL

Transparency makes us different!





*Twenty Third
Annual Report
2008-09*

MAHANAGAR TELEPHONE NIGAM LIMITED
(A Nav Ratna Company)



MISSION OF MAHANAGAR TELEPHONE NIGAM LIMITED

"To provide in its area of operation, in a leading way, world class telecom services which are demanded, keeping always the customer's delight as its aim, so that it continues to be the premier Indian Telecom Company".



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**BOARD OF DIRECTORS
(AS ON 31.08.09)**

Shri R.S.P. Sinha	Chairman & Managing Director
Shri Kuldip Singh	Director (Technical)
Smt. Anita Soni	Director (Finance)
Shri S.P. Pachauri	Director (HR)
Shri J.S. Deepak	Director
Shri Manish Sinha	Director
Smt. Usha Sahajpal	Director
Shri Adit Jain	Director
Shri V.S. Iyer	Director

BOARD COMMITTEES

AUDIT COMMITTEE

Smt. Usha Sahajpal	Chairperson
Shri J.S. Deepak	Member
Shri Manish Sinha	Member
Smt. Anita Soni, Director (Finance)	Permanent Invitee
Shri S.R. Sayal, Company Secretary	Secretary

INVESTORS/SHAREHOLDERS GRIEVANCES COMMITTEE

Smt. Usha Sahajpal	Chairperson
Shri Manish Sinha	Member
Smt. Anita Soni, Director (Finance)	Member
Shri S.R. Sayal, Company Secretary	Secretary

COMPANY SECRETARY

Shri S.R. SAYAL

REGISTERED AND CORPORATE OFFICE

Jeevan Bharti Building,
Tower I, 12th floor,
124 Connaught Circus,
New Delhi - 110 001
Tel: 91 11 23742212
Fax: 91 11 23314243

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



STATUTORY AUDITORS

M/s Bansal Sinha & Co.
18/19, Old Rajinder Nagar, New Delhi-110016
Phone : 25722270, 25853424
Fax : 011-41046530

BRANCH AUDITORS

DELHI

Goel Garg & Co.
H-4, Masjid Moth
Greater Kailash - II
New Delhi - 110 048

MUMBAI

M/s. C.V.K. & Associates
Chartered Accountants
No. 2, Samarath Apartments
D.S. Baprekar Road,
Dadar (W), Mumbai 400 028.

BANKERS

State Bank of India, New Delhi/Mumbai
Indian Overseas Bank, New Delhi/Mumbai
Punjab National Bank, Mumbai
Oriental Bank of Commerce, New Delhi
Central Bank of India, Mumbai
Dena Bank, Union Bank of India, Mumbai
United Bank of India, New Delhi
Syndicate Bank, Mumbai,
Vijaya Bank, New Delhi/Mumbai
Indian Bank, New Delhi, ICICI Bank, Mumbai
UTI Bank, Mumbai

REGISTRARS AND TRANSFER AGENTS

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

3rd Floor, Beetal House
99, Madangir, Behind Local Shopping Centre
Near Dada Harsukhdas Mandir, New Delhi - 110 062.
Ph: 011-29961281-82, Fax : 011-29961284
E-mail : beetal@rediffmail.com

Investor Helpdesk

Ph : 011-23765269, Fax : 011-23716655
E-mail : mtnligrc@bol.net.in

**23rd Annual General Meeting on Friday, September 25, 2009 at 3.00 p.m.
at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110001**

The Annual Report can also be accessed at www.mtnl.net.in



PERFORMANCE HIGHLIGHTS (2008-09)

Particulars	(Rs. In Million)
Total Income	52502.74
Total Expenditure	49864.82
Revenue Sharing	7525.73
License Fees	4285.75
Profit before tax and Prior Period Adjustment	2637.92
Dividend	630.00
Earning Per Share (EPS)	Rs.3.36



NOTICE

Notice is hereby given that the twenty third Annual General Meeting of the members of **Mahanagar Telephone Nigam Limited** will be held on Friday, the **25th September 2009** at **3.00 P.M.** at **FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110 001** to transact the following business :-

I. ORDINARY BUSINESS :

1. To receive, consider and adopt the audited Balance Sheet of the company as at 31st March, 2009 and the Profit and Loss Account for the year ended on that date together with the reports of the Auditors and Directors and the comments of the Comptroller and Auditor General of India thereon U/s 619(4) of the Companies Act, 1956.
2. To declare dividend on equity shares.
3. To appoint directors in place of those retiring by rotation:
 - (a) To appoint a director in place of **Mrs. Usha Sahajpal**, who retires by rotation and being eligible, offers herself for reappointment.
 - (b) To appoint a director in place of **Shri J.S. Deepak**, who retires by rotation and being eligible, offers himself for reappointment.
4. To fix the remuneration of the Statutory and Branch Auditors appointed by the comptroller & Auditor General of India for the Financial Year 2009-10.

II. SPECIAL BUSINESS :

5. To pass, with or without modifications, the following Resolution as Ordinary Resolution :-

"RESOLVED THAT Sh. Manish Sinha who was appointed as Govt. Director (Nominee Director) of the company by the Govt. of India, DoT, vide their letter dt. 09.03.2009 and whose appointment was ratified by the Board in terms of Article of Association of the company as Additional Director of the company from 30.03.09 till the next AGM, be and is hereby appointed as Director of the Company from the date of AGM i.e. 25th September, 2009 in terms of DOT.'s aforesaid letter dt.09.03.09 subject to retirement by rotation, as per the provisions of the Companies Act, 1956."

6. To pass, with or without modifications, the following Resolution as Ordinary Resolution:-

RESOLVED THAT Sh. Adit Jain who was appointed as Independent Director of the company by the Govt. of India, DoT, vide their letter dt. 29.7.09 and whose appointment was ratified by the Board in terms of Article of Association of the company as Additional Director of the company from 31.7.09 till the next AGM, be and is hereby appointed as Director of the Company from the date of AGM i.e. 25th September, 2009 in terms of DOT.'s aforesaid letter dt. 29.7.09 subject to retirement by rotation, as per the provisions of the Companies Act, 1956."



7. To pass, with or without modifications, the following Resolution as Ordinary Resolution:-

RESOLVED THAT Sh. V. S. Iyer who was appointed as Independent Director of the company by the Govt. of India, DoT, vide their letter 29.7.09 and whose appointment was ratified by the Board in terms of Article of Association of the company as Additional Director of the company from 31.7.09 till the next AGM, be and is hereby appointed as Director of the Company from the date of AGM i.e. 25th September, 2009 in terms of DOT.'s aforesaid letter dt. 29.7.09 subject to retirement by rotation, as per the provisions of the Companies Act, 1956."

Explanatory statement in respect of Item No. 5, 6 & 7 pursuant to Section 173 of the Companies Act, 1956 is enclosed.

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

A handwritten signature in black ink, appearing to read 'Sayal', is written over the typed name of the Company Secretary.

(S.R.SAYAL)
Company Secretary

Place : New Delhi

Date : 31.8.2009



Explanatory statement pursuant to Section 173 of the Companies Act, 1956 for the Special Business to be conducted at the AGM.

Item No. 5

Shri Manish Sinha was appointed as Govt. Director of the company by the Govt. of India, vide DoT's, letter dt 9.3.09 in place of Mrs. Anuradha Joshi Durgapal. In terms of Article of Association of the company Sh. Manish Sinha was appointed as Additional Director by the Board of Directors of the company from 30.3.09 till the next AGM, subject to the provisions of the Companies Act. Accordingly, Sh. Manish Sinha ceases to hold office of Director at this AGM, and may be appointed as Director of the Company from the date of AGM i.e. 25th September, 2009 in pursuance to DoT's aforesaid letter dt.09.03.09 subject to retirement by rotation as per the provisions of Companies Act, 1956.

Shri Manish Sinha is presently working in the Licensing Division of Department of Telecommunication, Govt. of India. He has an experience of 19 years in the Telecom Department. He has spent a decade in the Operating Division of the Department of Telecom. In the years 1996 to 1999 he dealt with policy matters and procurement for the Telecom Sector and has specialized degrees in Financial Management and an MBA in Public Policy. He has worked in the Finance Wing of the Department of Telecom. He has also been instrumental in setting up the Banking Operations and Treasury functions in the organization of the incumbent operator i.e. BSNL in India.

Among with varied experiences he has also worked in the field of vigilance where he has also dealt with issues relating to violation of license conditions specially those related to the issues of international long distance network. His current work is to render financial advice on all licensing issues that arise in DoT. The main responsibility is in the arena of determination, collection and assessment of license fee that are paid by the various telecom licensees to the Govt. of India.

Therefore the appointment of Sh. Manish Sinha is recommended for approval. Sh. Manish Sinha is interested in the resolution. None of the other directors except Sh. Manish Sinha are personally interested in the resolution.

Item No. 6

Adit Jain was appointed as Independent Director of the company by the Govt. of India, vide DoT's, letter dt 29.7.09 In terms of Article of Association of the company Sh. Adit Jain was appointed as Additional Director by the Board of Directors of the company from 31.7.09 till the next AGM, subject to the provisions of the Companies Act. Accordingly, Sh. Adit Jain ceases to hold office of Director at this AGM, and may be appointed as Director of the Company from the date of AGM i.e. 25th September, 2009 in pursuance to DoT's aforesaid letter dt. 29.7.09 subject to retirement by rotation as per the provisions of the Companies Act, 1956.

Sh. Adit Jain is the Chairman of IMA India, a business information company established in 1994. Previously Sh. Adit Jain worked with Lazard India, an investment bank, as Vice President & Head, Corporate Advisory Services and was responsible for the Mergers and Acquisitions business.

He has successfully handled assignments in the areas of public policy, entry strategy planning, location audits, competitor analysis, scenario planning, joint ventures etc. He has deposed, as an expert witness, at commercial litigations in the United States and in Parliamentary proceedings in India and Australia.

He has authored over five hundred articles and papers in the domain of politics, international affairs, foreign policy, defense, the environment and business practices.



He is also non-executive Director on the Corporate Board of the Sanmar Group; Shriram Transport Finance Company Ltd; Indosolar Ltd.; PR Pundit Public Relations Ltd. and BMR Associates. He is a member of the Board of Trustees of the Centre for Civil Society, an independent free-market think tank and the Adit Jain Foundation.

He has a bachelor's degree in mechanical engineering from the Birla Institute of Technology and a master's degree in business administration from the Henley Management College, UK. He is a Fellow of the Royal Geographical Society.

Therefore the appointment of Sh. Adit Jain is recommended for approval. Sh. Adit Jain is interested in the resolution. None of the other directors except Sh. Adit Jain are personally interested in the resolution.

Item No. 7

Shri V.S.Iyer was appointed as Independent Director of the company by the Govt. of India, vide DoT's, letter dt 29.7.09 In terms of Article of Association of the company Sh. V.S. Iyer was appointed as Additional Director of the company from 31.7.09 till the next AGM, subject to the provisions of the Companies Act. Accordingly, Sh. V.S. Iyer ceases to hold office of Director at this AGM, and may be appointed as Director of the Company from the date of AGM i.e. 25th September 2009 in pursuance to DoT.'s aforesaid letter dt. 29.7.09 subject to retirement by rotation as per the provisions of the Companies Act, 1956.

Sh. Venkitaraman S. Iyer is Post Graduate in Commerce and a Chartered Accountant. He has a decade of experience in Managerial Positions in the areas of Corporate Finance & Accounts, Internal Audits and Management Audits, Commercial and Legal functions in big Corporate Houses.

He Worked with Prebon Yamane Group of Companies in its Indian Operations during the 1993-2006. He was also involved in advisory capacity in number of Blue chip Companies. He has been associated with leading structural and design consultants for feasibility study of BOT and BOOT projects of NHAI regarding Tuticorin Port Road Connectivity Project, Chelari-Kuttipuram Highway widening project, Cochin Airport (CIAL) proposal and Pondicherry Govt. Proposed entertainment complex. Besides, he has vast experience of Venture capital, Strategic partnership, management of Private equity funds and Mergers & Acquisitions & Corporate Finance.

Presently, he is a Director in Ruttonsha International Rectifiers Limited, Proprietor in Iyer & Associates, Chartered Accountants and Advisor in Mukta Arts Limited.

Therefore the appointment of Sh. V.S. Iyer is recommended for approval. Sh. V.S. Iyer is interested in the resolution. None of the other directors except Sh. V.S.Iyer are personally interested in the resolution.

By order of the Board

For **MAHANAGAR TELEPHONE NIGAM LIMITED**

A handwritten signature in black ink, appearing to read 'Sayal', is written over a horizontal line.

(S.R.SAYAL)

Company Secretary

Place : New Delhi

Date : 31.8.2009



NOTES

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE VALID MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY AT 12TH FLOOR, TOWER-1, JEEVAN BHARTI BUILDING, 124, CONNAUGHT CIRCUS, NEW DELHI-110001, NOT LESS THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING. PROXY FORM IS ANNEXED.
2. The Register of members and Share Transfer Books will remain closed from 22nd September to 25th September 2009. (both days inclusive).
3. (i) Final Dividend, if any, approved at the 23rd Annual General Meeting of the Company will be paid to those shareholders whose names appear:
 - (a) As beneficial owners as at the end of the business hours on 21st September 2009 as per the list to be furnished by the Depository in respect of the shares held in electronic form, and
 - (b) As members in the register of members of the company after giving effect to all valid share transfers in physical form lodged with the company on or before 21st September 2009.(ii) Members are advised to avail ECS facility for the credit of dividend directly to their bank accounts. This facilitates quick credit of the dividend amount and eliminates any delay or loss of the dividend warrants in the transit and also ensures safety against fraudulent encashment.
(iii) While opening a depository account with the participants of NSDL/CDSL you may have given your bank account details, which will be used by your company for printing of dividend warrants. This ensures that the dividend warrants, even if stolen or lost, cannot be used for any purpose other than for depositing the money in the account specified on the dividend warrant. This ensures safety for investors. However, you may want to receive dividend in an account other than the one specified, while opening the depository account. You may change/correct bank account details with your depository participant accordingly. We also request you to kindly give MICR code of your bank to your depository participant.
4. The Members are requested to notify change of address, if any, to :-
 - (i) The company's Registrar & Transfer Agent, M/s. Beetal financial & Computer Services (P) Ltd. 3rd Floor, Beetal House 99, Madangir, Behind Local Shopping Centre Near Dada Harsukhdas Mandir, New Delhi - 110 062 in case the shares are held in physical form and
 - (ii) to the respective Depository Participant (DP) with whom the members are having their Demat Accounts, in case the shares are held in electronic form.
5. It will be appreciated that queries, if any, on the accounts and operations of the company are sent to the company 10 days in advance of the meeting so that the answers could be made readily available.



6. As a measure of economy, copies of Annual Report will not be distributed at the Annual General Meeting. Members are therefore, requested to bring their copies of the Annual Report to the meeting.
7. Members are requested to fill up their name, folio No./ID No. and to affix their signature at the space provided on the attendance sheet (given at the end of the Annual Report) and hand over the same at the entrance of the place of the meeting.
8. Members, who are holding shares in identical order of names in more than one folio, are requested to write to the Registrar & Transfer Agents of the company, enclosing their share certificates to enable the company to consolidate their holding in one folio. The share certificates will be returned to the members after making necessary endorsement in due course.
9. In terms of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. Members holding shares in physical form may nominate a person in respect of all the shares held by them whether singly or jointly. Members who hold shares singly are advised to avail of the nomination facility by filing up the prescribed form.
10. All the shareholders who have not yet got their shares demated, are requested to get their shares demated in their own interest as it will be easier for them to trade as well as maintain the security.
11. The Board had recommended a final Dividend of 10% at its meeting held on 31st July, 2009. The dividend, if approved by the Members at the said Annual General Meeting, will be posted by 24th October, 2009 to those Members, whose names appear on the Register of Members of the Company as on 21st September, 2009. However, in respect of shares held in electronic form, the dividend will be payable to those persons whose names appear as beneficial owners as at the closure of the business hours on 21st September, 2009 as per details thereof to be furnished by the depositories.
12. Pursuant to Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed amount of dividends paid up to 2000-2001, to the General Revenue Account/ Investor Education and Protection Fund of the Central Government. The unpaid / unclaimed amount of Dividend declared on 30th September, 2002 for the financial year 2001-02 will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government by 29th September, 2009. Members who have not encashed their dividend warrants pertaining to the said year may approach the Company or its Registrar & Share Transfer Agent for obtaining payment thereof.

Please note that no gifts of any sort would be distributed at the AGM



DIRECTOR'S REPORT

To

The Shareholders
of **Mahanagar Telephone Nigam Limited**

Dear Shareholders,

Your Directors have pleasure in presenting the 23rd Annual Report of your Company together with the Statement of Accounts and Auditors' Report as well as comments of Comptroller and Auditor General on the Accounts for the financial year ended on March 31, 2009.

There has been a structural shift in the Indian economy over the past few years. The pace of growth has accelerated to a new level and there have been major productivity gains across a range of industries and services. The ensuing economic momentum has given rise to new and rising levels of income and prosperity. This has brought about a sea change in consumer preferences and life styles, opening up tremendous new opportunities in the telecom sector. Your company strives to encash these opportunities.

While India is now widely acknowledged as the world's fastest growing telecom market, it still enjoys only around 20 per cent teledensity. To ride this enormous boom and retain our strong competitive advantage, we have launched a whole new range of services – with aggressive and innovative tariff plans. These path-breaking initiatives will not only broaden our subscriber base but also offer our millions of customers real choice in Landline, CDMA and GSM networks.

The advent of broadband has revolutionized back office functions across the economy. As a leader in the converged telecom space, the stage is set for us to drive this process of change, and to capture the market with our unique network and IT infrastructure facilities, bundled value added services and strong project management.

We remain committed to building MTNL into a World Class Service Provider, known for its standards of quality, operational performance and efficiency and admired for its record of consistently creating value for all.



FINANCIAL RESULTS

Sources and application of funds for the year 2008-09 are given below:-

	(In Million Rs.)	
	2008-09	2007-08
Income from Services	44559.99	47225.17
Expenditure (excluding Interest & prior period Adjustments)	49853.29	46955.02
Operating Profit	(5293.30)	270.15
Other Income	7942.75	6074.16
Interest	11.53	27.82
Profit before tax	2637.92	6316.49
Tax provision for the year	954.59	2248.31
Prior Period Adjustments	(433.84)	(1800.73)
Net Profit for the year	2117.17	5868.91
Profit available for	2117.17	5868.91
Appropriation		
Interim/Proposed final dividend	630.00	2520.00
Dividend Tax	107.07	428.27
Transfer to :		
a) Contingency Reserve	--	--
b) Reserve for R&D	--	--
c) General Reserve	1380.10	2920.64
SOURCES AND USES OF FUNDS		
Authorised Capital	8000.00	8000.00
Issued, Subscribed & paid-up Capital	6300.00	6300.00
Reserves & Surplus	114293.68	112913.58
Secured and unsecured loan	--	--
Deferred Tax Liability (Net)	3552.96	4865.16
REPRESENTED BY		
Fixed Assets* (Net Block)	62838.34	63197.96
Investment	4650.92	5573.92
Net Current Assets	46185.69	44065.31
Deferred Revenue Expenditure	966.90	1591.70
Capital Work-in-Progress	9504.79	9649.85

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



DIVIDEND

The Board is pleased to recommend payment of final dividend @ 10% on the paid up equity capital of Rs. 6300 million. The dividend will absorb a sum of Rs.630 million excluding dividend tax.

SUBSIDIARY COMPANIES

Your company has two subsidiary companies namely:-

(I) MILLENNIUM TELECOM LTD.

Millennium Telecom Ltd. (MTL), a joint venture of two Government of India Enterprises, Mahanagar Telephone Nigam Ltd. (MTNL) and Bharat Sanchar Nigam Ltd. (BSNL) has noted the need for a new international submarine cable system extending between India and other Asian countries including UAE to serve its needs. The equity participation of MTNL & BSNL in MTL is 50:50.

The Eastern segment of the cable will run from Digha (near Kolkata) to Malaysia and Singapore with possible branches to Bangladesh, Myanmar and the Andaman Island, Thailand and Indonesia while the Western segment will run from Ratiya in India to UAE and Djibouti with possible branches to Pakistan, Oman, Yemen. The existing traffic of MTNL will be carried on these cables and the extra capacity shall be leased out.

The likely date for the completion of MCS project is approx. 30 months from the date of award of contract.

MTL has applied for the ILD license. The LOI in this regard has been issued by DOT.

(II) MAHANAGAR TELEPHONE MAURITIUS LTD. (MTML)

Mahanagar Telephone (Mauritius) Ltd., (MTML), 100% subsidiary of MTNL was incorporated as a Private Domestic Company at Mauritius on 14th Nov. 2003. In the first phase it registered with MUR 600 Million (USD 20).

It obtained Licenses to operate Fixed, Mobile and International Long Distance Services in 2004.

Several services launched by the Company from time to time are as under:-

1. The ILD Services through Carrier Access Service were launched in 2005.
2. Fixed Wireless Services were launched in part of the areas in Jan 2006.
3. Mobile Services were launched in December 2006.
4. Internet services were launched in Feb. 2007
5. EVDO services were launched in March 2008.

It would be pertinent to mention that MTML is the second Fixed Line Operator and third Cellular Operator and one of the prime ILD Service operator out of 8 ILD operators in Mauritius.



JOINT VENTURES

Your company has two joint ventures viz. UNITED TELECOMMUNICATIONS LTD. (UTL) & MTNLSTPI IT SERVICES Ltd.

(i) UNITED TELECOMMUNICATIONS LTD. (UTL)

The Joint Venture was incorporated in the year 2001 under the Companies Act of Nepal.

UTL has a total customer base of more than 157,000 in numbers. As on date number of PCOs are 1,628. The prepaid subscriber base is over 41,231.

The company is sustaining its entire operations from internal revenue generations only. Monthly OPEX including the interest payment & other IUC charges, repayment of term loans, etc. are fully met within its bill collections.

ILD Service:

The ILD traffic has shown marked improvement in both incoming and outgoing direction.

A table depicting traffic for past 12 months is placed below.

Traffic minutes in millions

	Jun'08	Jul'08	Aug'08	Sep'08	Oct'08	Nov'08	Dec.'8	Jan'09	Feb'09	Mar'09	Apr'09	May'09
I/C	4.85	5.76	5.8	4.8	5.09	7.24	5.08	6.15	6.96	7.71	8.71	9.64
O/G	0.19	0.2	0.38	0.46	0.45	0.44	0.45	0.46	0.44	0.49	0.48	0.46
Total	5.04	5.96	6.18	5.26	5.54	7.68	5.53	6.61	7.40	8.20	9.19	10.00

(ii) MTNLSTPI IT SERVICES Ltd.

The joint venture was incorporated on 31-03-2006 under the Companies Act 1956, with authorized capital of Rs. 50 Crores and at present the paid up capital is Rs. 80 Lacs.

The project under this joint venture is under way. MTNL-STPI JV project of data centre at Chennai will provide services like messaging, web-hosting, application hosting, Web-farming application etc. Recently a prestigious passport project of the Ministry of External Affairs (MEA) has been completed by the J.V. Company through the selected partner of MEA, M/s. TCS.



Details of System Status for the financial year 2008-09 (31.03.09)

S. No	Parameters	Delhi	Mumbai	Total
1	Number of switches	344	214	558
2	Equipped Capacity	*5,135,129	5,734,081	10,869,210
	DLC capacity	160,152	119,646	279,798
	Digitalization % lines	100	100	100
3	DELS*	3,585,914	4,469,804	8,055,718
4	Details of Net DELs			
	(a) Fixed Line	1,525,981	2,047,225	3,573,206
	(b) WLL-Fixed	30,083	91,681	121,764
(c)	WLL-Mobile	111,354	72,718	184,072
	(d) GSM	1,918,496	2,258,180	4,176,676
5	Broadband			
	(a) Subscribers	313,657	381,843	695,500
	(b) Capacity (in ports)	545,910	468,736	1,014,646
6	IPTV	8,831	5,626	14,457
7	VOIP	3,626	2,526	6,152
8	Internet connection	620,933	807,693	1,428,626
	(a) Prepaid	20,032	1,248	21,280
	(b) Postpaid	600,901	806,445	1,407,346
9	Payphones	75,493	137,409	212,902
10	ISDN	8,439	17,166	25,605
11	DLC (No)	425	525	950
12	Tax Capacity	150,000	155,200	305,200
13	Tandem Capacity	402,500	431,060	833,560
14	Optical fiber cable			
	(a) In Fiber KMs	212,648.60	164,232.35	376,880.95
	(b) In Route KMs	7,418.80	6,411.98	13,830.78
15	Leased Circuits	16,070	36,924	52,994
16	Replacement of PCUT Cable (in LKCM)	30.12863	15.711402	45.840032

*including WLL fixed, WLL mobile & GSM



HUMAN RESOURCE DEVELOPMENT

The Telecom industry in India is undergoing through a volatile phase and fate of the organizations is being written and re-written everyday. In the recent past, we have identified Human Resources as one of the strategic partners for rapid business strides leading to success in all strata of our operations. During last fiscal also we continued our endeavors towards world standards HR policies.

We have always considered our Manpower as one of our greatest assets and this is what differentiates MTNL from its competitors. We have a strong manpower base of 46155 with wide array of Technical and Managerial aptitudes and also talented supporting staff having exposure to state of the art technologies prevailing in Telecom Industry in the world. As a step towards restructuring of our manpower we have adopted dual pronged strategy, viz., at one end we have recruited young and talented professionals in areas like Telecom, Finance, HR, Marketing, Law and on the other hand we have taken steps towards rightsizing of the organization by offering VRS.

Thus fine-tuning our existing manpower mix in terms of age, qualification, and aptitude to meet the demands posed by the changing Business Environment and to take advantage of the opportunities presented to serve ever-increasing customer base.

TRAINING PROGRAMME

Our company has been conducting training programme for new recruited executives Trainees in the field of Telecom, Finance, Marketing, HR, Legal regularly at CETTM.

CENTRE FOR EXCELLENCE IN TELECOM TECHNOLOGY AND MANAGEMENT (CETTM)

Our dream for having a world-class in house Training Centre furthered one step when CETTM (Centre of Excellence in Telecom Training & Management) was awarded ISO 9001:2000 certification. CETTM is slowly taking the lead role and becoming the nodal center for HRD. Induction Training programme for newly recruited executive Trainees in the field of Telecom, Finance, Marketing, HR, Legal have been conducted at CETTM.

CETTM has started generating revenues by leasing out infrastructure and providing training to other organizations of repute.

INDUSTRIAL RELATIONS

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

A further step towards Worker's Participation in critical issues concerning business endeavors, a special



Joint Negotiation Committee meeting was convened to share the views of recognized Unions on the various aspects of our business endeavors and to obtain opinion from them in further improving the same.

EMPLOYEES' WELFARE

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

IMPLEMENTATION OF OFFICIAL LANGUAGE POLICY

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

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

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

WORKING CONDITIONS OF WOMEN EMPLOYEES

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

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

CORPORATE SOCIAL RESPONSIBILITY

Fulfilling the Social Responsibility was always high on our agenda and in last fiscal year also your company supported a lot of Organizations fighting for the bigger social cause. In many instances we also took the same responsibility on our shoulders.

MANPOWER STATUS

As on 31st March 2009 your Company had a strength of employees as per details given next page:-



MTNL

MTNL Employees working strength as on 31.3.2009.

Group	Working	SC	ST
A	1269	218	55
B	5175	778	113
C	27412	4744	512
D	12235	2629	900
Total	46091	8369	1580
DRMs	64	—	—
Grand Total	46155	8369	1580

VIGILANCE

Vigilance cell in MTNL is headed by Sh. Kabal Singh, IRSSE who has joined as CVO in corporate office on 24.3.2005. CVO is responsible for complete vigilance administration of MTNL. In 2008-09 emphasis has been laid on incorporating practices to increase transparency and making systemic improvements to prevent the possibility of manipulation. The cases of high calling customers and bulk users were regularly monitored and checked so as to prevent any potential financial loss to company. Monthly Vigilance meetings were regularly conducted to monitor the progress of pending vigilance complaints and disciplinary cases. In these meetings, remedial measures and actions were suggested and initiated to redress the problems and remove the hurdles in timely settlement of such cases. Regular inspections were also carried out by vigilance officials at sensitive areas and corrective action were initiated and suggested wherever required.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

FOREIGN EXCHANGE EARNINGS

Information with regard to foreign exchange earnings and outgo is as follows:-

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

Earned :	Rs.(Million) 59.30
Expenditure in Foreign Currency	Rs.(Million) 78.18



CORPORATE GOVERNANCE

Your company follows the principles of effective corporate governance practices. The Company has taken steps to comply with the requirements of revised Clause 49 of the Listing Agreement with the Stock Exchanges. A Report on Corporate Governance has been appended under separate section titled ' Corporate Governance Report ' and forms a part of the Annual Report.

COMPLIANCE CERTIFICATE

A certificate from the Practicing Company Secretary regarding compliance of conditions of Corporate Governance as stipulated under revised Clause 49 of the Listing Agreement is attached to this report.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 and for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

PARTICULARS OF EMPLOYEES

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

COMMENTS OF C & AG ON THE ACCOUNTS

Comments of C&AG and management replies thereto are given as an Annexure to the Directors' Report.

DIRECTORS

During the year under report, the Board of Directors of your Company met frequently. At these meetings, the Board held intensive discussions on the budget, important financial transactions and various steps to face



the impending competition from private operators both in Basic Telephone Service and Cellular Mobile Telephony and other value added services.

Sh.R.S.P.Sinha continued to be the Chairman and Managing Director of your company. Sh. Kuldip Singh, and Smt. Anita Soni and Sh. S.P. Pachauri continued to be the Director (Technical), Director(Finance) and Director (HR) respectively of your Company.

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

1. Sh. Manish Sinha, DDG (LF), Department of Telecommunications was appointed as director in place of Smt. Anuradha Joshi Durgapal, DDG (FEB) w.e.f. 30.3.2009.
2. Sh. V.S. Iyer and Sh. Adit Jain have been appointed non-official part-time Directors of the company by the Govt. of India, DoT vide their letters dt. 29.7.09 for a period of 3 years. Their appointment was confirmed by the Board in its meeting held on 31.7.09.
3. The Board places on record its deep appreciation for the excellent services rendered by Smt. Anuradha Joshi Durgapal during her tenure as Director on the Board of MTNL.

AUDITORS

M/s. Bansal Sinha & Co., Chartered Accountants and M/s.Goel Garg & Co., Chartered Accountants have been appointed as joint Statutory Auditors of your Company by the Comptroller and Auditor General of India for the year 2009-10.

ACKNOWLEDGEMENT

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

The Directors would like to express their thanks for the sincere hard work and dedication of every employee leading to impressive results of your company. The Board is confident that with the employees' continued enthusiasm, initiative and dedicated efforts, your company could face the new challenges and opportunities arising out of the resultant competition from private operators in the Cellular Mobile, Basic Telephone and Internet services and other Value Added services.

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

(R.S.P. SINHA)

CHAIRMAN AND MANAGING DIRECTOR

PLACE : NEW DELHI

DATE : 31.8.2009



CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2008-09 is given below:-

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

The Company currently has 9 Directors as on 22.08.2009 including the Chairman and Managing Director and three Functional Directors as per the following details.

Name	Category	Directorship in other companies	Membership in other committee
Sh. R.S.P. Sinha	Chairman and Managing Director	Chairman : MTML, MTL, UTL and MTNLSTPI IT Services Ltd.	—
Sh. Kuldip Singh	Director (Technical)	Director : MTNLSTPI IT Services Ltd., MTL and MTML	—
Smt. Anita Soni	Director (Finance)	Director : MTNLSTPI IT Services Ltd. and MTL	Permanent Invitee of the Audit Committee & Member Share holders'/Investors' Grievances Committee, MTNL Board.
Sh. Satya Prakash Pachauri	Director (HR)	—	—
Sh. J.S. Deepak	Govt. Director	Director : BSNL & MTL	Audit Committee of MTNL Board.
Sh. Manish Sinha	Govt. Director	Director : Hindustan Teleprinters Ltd.	Audit Committee/Investors Grievances Committee of MTNL Board.
Smt. Usha Sahajpal	Part-time Director	Director : South Eastern Coalfield Ltd.	Chairperson, Audit Committee & Shareholders' Investors' Grievances Committee of MTNL Board.
Sh. Adit Jain	Part-time Director	Chairman : IMA, India Pvt. Ltd., Director : Sanmar Group, Shriram Transport Fin. Co. Ltd. Indosolar Ltd., PR Pundit Public Relations, BMR Associates	-



Name	Category	Directorship in other companies	Membership in other committee
Sh. V.S. Iyer	Part-time Director	Director : Ruttonsha International Rectifiers Ltd. Prop. : Iyer & Associates Advisor : Mukta Arts Ltd.	-

2.1 ATTENDANCE OF DIRECTORS AT THE BOARD MEETING AND THE LAST ANNUAL GENERAL MEETING.

The Company holds regular Board Meetings. The detailed agenda along with the explanatory notes is circulated in advance. The Directors can suggest inclusion of any item(s) in the agenda at the Board meeting. During the year 2008-09, 13 meetings were held and the attendance of Directors in these meetings was as under:-

Name of the Director	No. of Board meetings attended	Percentage (%)	Attendance at the last AGM held on 26th September 2008	Remarks
Sh. R.S.P. Sinha	13	100	Yes	
Sh. Kuldip Singh	13	100	Yes	
Smt. Anita Soni	12/13	92	Yes	
Sh. Satya Prakash Pachauri	13/13	100	Yes	
Sh. J.S. Deepak	6/12	50	Not attended	Assumed office w.e.f.30.4.2008
Smt. Anuradha Durgapal Joshi	4/8	50	Yes	Ceased office w.e.f. w.e.f. 24.01.08
Dr.S.Balasubramanian	7/8	87	Yes	
Smt. Usha Sahajpal	12/12	100	Yes	
Sh Manish Sinha	1/1	100	N.A.	Assumed office w.e.f. 30.03.09
Sh. A.S. Bhola	0/3	0	N.A.	Ceased to be Director w.e.f. 31.07.08
Sh. Adit Jain	0/0	0	N.A.	Assumed office on 31.7.09
Sh. V.S. Iyer	0/0	0	N.A.	Assumed office on 31.7.09



DETAILS OF BOARD MEETING HELD DURING 2008-09

No. of directors present are as under:-

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1.	234	30.04.2008	New Delhi	5/6
2.	235	30.05.2008	New Delhi	6/8
3.	236	04.07.2008	New Delhi	6/7
4.	237	31.07.2008	New Delhi	7/8
5.	238	29.08.2008	New Delhi	7/8
6.	239	08.09.2008	New Delhi	6/8
7.	240	25.09.2008	New Delhi	7/8
8.	241	30.10.2008	New Delhi	8/8
9.	242	26.11.2008	New Delhi	6/7
10.	243	26.12.2008	New Delhi	6/7
11.	244	30.01.2009	New Delhi	5/6
12.	245	06.03.2009	New Delhi	6/7
13.	246	30.03.2009	New Delhi	5/7

2.3 DETAILS OF MEMBERSHIP/CHAIRMANSHIP OF BOARD COMMITTEES

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

2.4 CODE OF CONDUCT FOR DIRECTORS AND SR. MANAGEMENT PERSONNEL

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

2.5 CERTIFICATE REGARDING AFFIRMATION OF COMPLIANCE OF CODE OF CONDUCT

CMD/CEO has affirmed that the said code has been complied with by all board members and senior management personnel as under:- "Pursuant to clause 49 of the Listing Agreement, I confirm that all Board Members and senior management personnel have affirmed compliance with the "MTNL's Code of Conduct" for Board Members and Senior Management Personnel for the year 2008-09".

sd/-

(R.S.P. SINHA)

Chairman & Managing Director

PLACE : New Delhi

DATE : 22nd August 2009



3. AUDIT COMMITTEE

The scope of the Audit Committee has been defined by the Board of Directors in accordance with the provisions of the Companies Act read with clause 49 of the listing agreement, which among others, includes:-

- Reviewing the Company's financial reporting processes and systems
- Recommending the appointment and removal of statutory auditors, taking decisions regarding audit fee and related expenses
- Reviewing the Company's financial and risk management policies
- Reviewing with management the quarterly and annual financial statements, before submission to the Board, focusing primarily on:
 - changes in accounting policies and practices;
 - internal audit processes and systems

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

- | | | |
|----|-------------------------------------|-------------------|
| 1. | Smt. Usha Sahajpal | Chairperson |
| 2. | Sh J.S. Deepak | Member |
| 3. | Sh. Manish Sinha | Member |
| 4. | Smt. Anita Soni, Director (Finance) | Permanent Invitee |
| 5. | Sh. S.R. Sayal, Company Secretary | Secretary |

3.1 Meetings and attendance of Audit Committee:

The Audit Committee held 8 meetings during the year 2008-09.

The members' attendance at the Committee Meetings was as under:-

S. No.	Name of Director	No. of meetings	attended
1.	Smt. Usha Sahajpal Chairperson (Part of the year)	7	7
2.	Sh. A.S. Bhola, Member (part of the year)	2	0
3.	Dr.S.Balasubramanian Chairman(Part of the year)	6	6
4.	Sh. J.S. Deepak (Part of the year)	1	0
5.	Mrs. Anuradha Joshi Durgapal (Part of the year)	6	3

4. Remuneration Committee:

The whole time Directors of the company including the Chairman and Managing Director are appointed by the Government of India and are being paid remuneration as per the terms of their appointment. The Company, therefore, has not constituted a Remuneration Committee. The non-official part-time Directors are paid Rs.10,000/- by way of sitting fees for attending every meeting of the Board/Committee of the Board attended by them. No other remuneration is paid to the non-official part-time Directors.

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE

Pursuant to clause 49 of the Listing Agreement, a Shareholders/Investors' Grievances Committee exists in MTNL to look into the investors' complaints, if any, and to redress the same expeditiously. The Committee reviews all matters connected with the Securities' transfers. The Committee looks into redressing of shareholders' complaints like non-receipt of Balance Sheet, non receipt of dividends, etc. The Committee



also oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investors services. The committee held 2 meetings during the year 2008-09.

Presently the Committee consists of the following directors:-

			No. of Meeting attended
1	Smt. Usha Sahajpal	Chairperson	1/1
2.	Shri Manish Sinha	Member	-
3.	Smt. Anita Soni,	Director (Finance) Member	2/2
4.	Shri S.R. Sayal, Company Secretary	Secretary	2/2

e-mail address for investors grievances/complaints : mtnlgrc@bol.net.in.

6. SHARE TRANSFER COMMITTEE

Pursuant to clause 47A of the Listing Agreement the Board has delegated the powers to approve transfer of securities, issue of duplicate shares, request for issue of new certificates on split/ consolidation etc., to a committee of officers consisting of Sh. T.R. Gandhi, GM (BB&IA) and Sh. S.R. Sayal, Company Secretary. The Committee held regular meetings during the year and approved the transfer of shares, transmission of shares, Dematerialization of shares, rematerialization of shares and issue of duplicate shares. No share transfer request case is pending as on the date of the preparation of this report.

7. DETAILS OF SHAREHOLDERS/INVESTORS' COMPLAINTS ARE GIVEN HERE UNDER:-

No. of Share holders' complaints Received during the year 2008-09	No. of Shareholders complaints Solved	No. of Shareholders complaints pending as on 31.03.09
59	59	Nil

8. COMPANY SECRETARY & COMPLIANCE OFFICER

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

Address Jeevan Bharti Building, 12th floor, Tower I, 124 Connaught Circus, New Delhi - 110001.
Contact Telephone 011-23324587, Fax 011-23716655

LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETINGS WERE:

Nature of meeting	Date and Time	Venue
22 nd Annual General Meeting	26 th Sept. 2008, 03.00 P.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001
21 st Annual General Meeting	28 th Sept. 2007, 03.00 P.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001
20 th Annual General Meeting	26 th Sept. 2006, 11.00 A.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001



No special resolution was passed in the previous 3 AGMs and also no special resolution was passed last year through postal ballot.

9. DISCLOSURE

- i. All the relevant information in respect of materially significant related party transactions, i.e. transactions of the Company of material nature with its Promoters, Directors or Management, or their relatives or subsidiaries of the Company, etc. having potential conflict with the interest of the Company at large has been given in the Annual Accounts.
- ii. The Company has complied with statutory compliances and no penalty or stricture has been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authority on any matter relating to the capital markets during the last three years.
- iii. Company has not framed yet Whistle Blower policy but no personnel has been denied access to the audit committee.
- iv. Company had complied all the major mandatory requirements and also adopted some of the non-mandatory requirements of clause 49.

10. MEANS OF COMMUNICATION

- a. The quarterly and half yearly results were published in English and Hindi Newspapers.
- b. The Company's Audited & Un-audited periodic financial results and Press Releases are posted on the Company's website.
- c. Detailed Management Discussion and Analysis Reports have been included in this Annual Report.
- d. The Company has also posted information relating to Corporate Governance etc. through Corp Filing as required by the Stock Exchanges.

11. GENERAL SHAREHOLDER INFORMATION:

- i. **Date and Time of AGM** - 25th September 2009, 03.00 P.M.
Venue - FICCI Golden Jubilee Auditorium,
Tansen Marg New Delhi-110 001
- ii. **Financial year** - 1st April 2008 to 31st March 2009
- iii. **Financial Calendar** -

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2009 and recommendation of dividend	31 st July 2009
Submission of Audited Accounts to C&AG of India	31 st July 2009
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30 th June 2009	31 st July 2009



Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30 th September 2009	End of October 2009
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31 st December 2009	End of January 2010
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31 st March 2010	End of April 2010

- iv. **Dates of Book Closure** - 22nd September 2009 to 25th September 2009
- v. **Dividend Payment** - Date 30 days from the date of AGM
- vi. **Listing on Stock Exchanges** : The Equity Shares of company are listed at following Stock Exchanges.
- (a) **The Delhi Stock Exchange Association Limited**
DSE House,3/1, Asaf Ali Road, New Delhi-110002.
Tel: 011-23292039/40 Fax: 011-23292181
- (b) **Bombay Stock Exchange Limited, Mumbai**
Rotunda Building, Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai-400001.
Tel: 022-22655614/21/22 Fax: 022-22721072
- (c) **The Calcutta Stock Exchange Association Limited**
7, Lyons Range, Kolkata-700001.
Tel: 033-22201488 Fax: 033-22102210
- (d) **Madras Stock Exchange Limited**
11, Second Lines Beach. Chennai-600001.
Tel: 044-25224382/83/93 Fax: 044-25244897.
- (e) **The National Stock Exchange of India Limited**
Exchange Plaza, 5th floor, Plot No. C/1,
G.Block, Bandra-Kurla Complex, Bandra(E)
Mumbai-400051.
Tel: 022-26598100/8235/8236
Fax: 022-26598237/8238.
- (f) **New York Stock Exchange**
11, Wall Street, New York. (For ADRs)

The Listing Fee for the Financial Year 2009-10 has been paid to all stock exchanges.



vii (a) Stock Code

Bombay Stock Exchange	-	'MAHANGR TELE 108'
Delhi Stock Exchange	-	'13069'
Madras Stock Exchange	-	'MTP'
National Stock Exchange	-	'MTNL EQ'
Calcutta Stock Exchange	-	'23036'
New York Stock Exchange	-	'MTE'

(b) Demat ISIN Numbers In

- INE 153A01019
NSDL & CDSL.

The Annual Custodian Fees for the year 2009-10 has been paid to the depositories, NSDL and CDSL.

viii) Market Price Data :

Information relating to high, low, close price and volume during each month in last financial year at BSE is given hereunder:-

BOMBAY STOCK EXCHANGE (BSE)

MONTH	HIGH PRICE	LOW PRICE	CLOSE PRICE	VOLUME
April 2008	116.00	97.00	110.45	19572035
May 2008	113.90	92.55	93.35	8911900
June 2008	99.10	89.65	90.20	7362225
July 2008	108.90	83.20	103.80	8918771
August 2008	113.20	97.15	99.00	13084689
September 2008	101.00	80.55	84.30	3996219
October 2008	86.25	51.75	65.70	5765578
November 2008	75.95	66.45	74.05	4654015
December 2008	84.20	70.15	79.05	5929466
January 2009	83.80	68.75	72.25	2754002
Feb 2009	72.90	63.20	64.25	2183782
March 2009	74.50	59.25	69.10	4244861

(ix) Registrar and Transfer Agents

M/s. Beetal Financial & Computer Services (P) Ltd.
3rd Floor, Beetal House, 99, Madangir,
Behind Local Shopping Centre,
Near Dada Harsukhdas Mandir, New Delhi - 110 062.
Ph: 011 29961281-82 Fax No.: 011- 29961284



(x) Share Transfer System

As per the directives of Securities & Exchange Board of India, the Equity Shares of your Company have been mandated for trading in dematerialized form by all categories of investors since 1997. Share transfers in physical form are registered, if documents are complete in all respects, and returned within 15 days from the date of receipt in most cases and in any case within 30 days from the date of receipt.

(xi) Distribution of shareholding as on 31st March 2009

NOMINAL VALUE OF EACH SHARE/UNIT RS 10

Share Holding of Nominal Value of Rs.	No. of Share holders	% to Total	No. of Shares	Amount in Rs.	% to Total
1 TO 5000	1,32,215	92.85	1,50,73,227	15,07,32,270.00	2.3926
5001 TO 10000	5,626	3.95	45,92,307	4,59,23,070.00	0.7289
10001 TO 20000	2,450	1.72	37,55,657	3,75,56,570.00	0.5961
20001 TO 30000	700	0.49	17,98,087	1,79,80,870.00	0.2854
30001 TO 40000	322	0.23	11,43,648	1,14,36,480.00	0.1815
40001 TO 50000	267	0.19	12,68,059	1,26,80,590.00	0.2013
50001 TO 100000	394	0.28	29,09,475	2,90,94,750.00	0.4618
100001 and above	425	0.30	59,94,59,540	5,99,45,95,400.00	95.1523
TOTAL	1,42,399	100.00	63,00,00,000	6,30,00,00,000.00	100.0000

(xii) Dematerialization of shares and liquidity

As on 31st March 2009, almost all shares of the Company's equity share capital available in the market is in dematerialized form. The Company has entered into agreements with both the depositories viz. National Securities Depository Ltd. (NSDL) and Central Depository Services Ltd. (CDSL), whereby shareholders have an option to dematerialize their shares with any of them.

(xiii) There were no outstanding of GDRs/ADRs/Warrants or any Convertible instruments.

(xiv) Plant Locations

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

BRIEF RESUME OF DIRECTORS APPOINTED DURING THE YEAR/PROPOSED TO BE APPOINTED/ REAPPOINTED AT THE ANNUAL GENERAL MEETING

1) Smt. Usha Sahajpal

Independent Director

Mrs. Usha Sahajpal was appointed as Non-official part-time Director (Independent Director) on the Board of MTNL by the Govt. of India on 30.4.08. Mrs. Usha Sahajpal is having Master of Arts (Political Science) degree from Delhi University. She had joined Indian Audit and Accounts Service from 1966



to 1976 and Indian Civil Accounts Service from 1976 to 2003 (till retirement). During her tenure, she has held various positions in the Indian Audit and Accounts Department as Controller of Accounts in various ministries of the Govt. of India, Finance Advisor to the Employees Provident Fund Organization, Ministry of Labour, Chief Controller of Accounts, Ministry of Industry, Jt. Secretary and Finance Advisor, Ministry of Agriculture, Principal Chief Controller of Accounts, Central Board of Excise and Customs, Department of Revenue, Ministry of Finance and Controller General of Accounts, Ministry of Finance. She has retired from service on 31st March 2003 as Controller General of Accounts, Ministry of Finance, Govt. of India. She is presently non-official, part-time Director on the Board of South Eastern Coal Fields Ltd. (a subsidiary of Coal India Ltd.), Member, Finance Committee, Jawahar Lal Nehru University, Delhi and Member of other institutes/societies, NGOs, etc.

2) **Shri J.S. Deepak** - **Govt Director**

Mr. J.S. Deepak, Joint Secretary (Telecom), Govt. of India was nominated Govt. director on the Board of MTNL by the DOT, Govt. of India on 30th April, 2008. Mr. Deepak is having M.Sc. degree in Electronics from Bangalore University and MBA from prestigious institute IIM, Ahmedabad in Marketing and Finance. Mr. Deepak belongs to 1982 batch of Indian Administrative Services (IAS) and has over 25 years of experience. He has worked in the Govt. of UP in different departments/organizations such as Principal Secretary, Industrial Development. Export Commissioner UP, Managing Director, UP Export Corporation Limited, Deputy Managing Director, State Industrial Development Corporation, UP, Principal Secretary, Elementary Education, Health, Family Welfare in Government of UP and Commissioner, Faizabad and Commissioner Meerut.

3) **Shri Manish Sinha**, - **Govt. Director**

Shri Manish Sinha is presently working in the Licensing Division of Department of Telecommunication, Govt. of India. He has spent a decade in the Operating Division of the Department of Telecom. In the years 1996 to 1999 he dealt with policy matters and procurement for the Telecom Sector and has specialized degrees in Financial Management and an MBA in Public Policy. He has also worked in the Finance Wing of the Department. He has been instrumental in setting up the Banking Operations and Treasury functions in the organization of the incumbent operator i.e. BSNL in India.

His current work is to render financial advice on all licensing issues that arise in DoT. The main responsibility is in the arena of determination, collection and assessment of license fee that are paid by the various telecom licensees to the Govt. of India.

4) **Shri Adit Jain**, - **Independent Director**

Shri Adit Jain is the Chairman of IMA India, a business information company established in 1994. Previously Adit worked with Lazard India, an investment bank, as Vice President & Head, Corporate Advisory Services and was responsible for the Mergers and Acquisitions business.

He has successfully handled assignments in the areas of public policy, entry strategy planning, location audits, competitor analysis, scenario planning, joint ventures etc. He has deposed, as an expert witness, at commercial litigations in the United States and in Parliamentary proceedings in India and Australia.



He has authored over five hundred articles and papers in the domain of politics, international affairs, foreign policy, defense, the environment and business practices.

He is also non-executive Director on the Corporate Board of the Sanmar Group; Shriram Transport Finance Company Ltd; Indosolar Ltd.; PR Pundit Public Relations Ltd. and BMR Associates. He is a member of the Board of Trustees of the Centre for Civil Society, an independent free-market think tank and the Adit Jain Foundation.

He has a bachelor's degree in mechanical engineering from the Birla Institute of Technology and a master's degree in business administration from the Henley Management College, UK. He is a Fellow of the Royal Geographical Society.

5) **Shri Venkitaraman S. Iyer,** - ***Independent Director***

Shri Venkitaraman S. Iyer is Post Graduate in Commerce and a Chartered Accountant. He has a decade of experience in Managerial Positions in the areas of Corporate Finance & Accounts, Internal Audits and Management Audits, Commercial and Legal functions in big Corporate Houses.

He Worked with Prebon Yamane Group of Companies in its Indian Operations during the 1993-2006. He was also involved in advisory capacity in number of Blue chip Companies. He has been associated with leading structural and design consultants for feasibility study of BOT and BOOT projects of NHAI regarding Tuticorin Port Road Connectivity Project, Chelari-Kuttipuram Highway widening project, Cochin Airport (CIAL) proposal and Pondicherry Govt. Proposed entertainment complex. Besides, he has vast experience of Venture capital, Strategic partnership, management of Private equity funds and Mergers & Acquisitions & Corporate Finance.

Presently, he is a Director in Ruttonsha International Rectifiers Limited, Proprietor in Iyer & Associates, Chartered Accountants and Advisor in Mukta Arts Limited.

(xv) **Address for correspondence**

Mahanagar Telephone Nigam Limited.

Jeevan Bharti Building, Tower-I, 12th Floor, 124, Connaught Circus,
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V.K. SHARMA & CO.
Company Secretaries

422, Ocean Plaza, Sector-18, Noida
Tel. : 0120-4221470, Mobile : 9811009592
E-mail : vks_cosecy@yahoo.com

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

To,
The shareholders

We have examined the compliance of conditions of Corporate Governance by Mahanagar Telephone Nigam Limited for the year ended 31st March 2009, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges in India. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement except that:

1. The composition of the Board of Directors is not as per the stipulation regarding number of non executive directors and independent directors required by the Clause as there are less than 50% independent directors.
2. The composition of the Audit Committee is not as per the stipulation regarding number independent directors required by the Clause as there are less than two third independent directors.

For V.K.SHARMA & CO.
Company Secretaries

Sd/-
(V.K.Sharma)
FCS 3440

Place : New Delhi
Date : 11th August, 2009



MANAGEMENT DISCUSSIONS & ANALYSIS

This discussion contains forward looking statements, the performance of the company for the year 2008- 09 and an outlook for the future. The report conveys expectations on future performance based on an assessment of current business environment. These could vary based on future developments.

INDUSTRY STRUCTURE & DEVELOPMENTS

There has been a structural shift in the Indian economy over the past few years. The pace of growth has accelerated to a new level and there have been major productivity gains across a range of industries and services. The ensuing economic momentum has given rise to new and rising levels of income and prosperity. This has brought about a sea change in consumer preferences and life styles, opening up tremendous new opportunities in the telecom sector

OPPORTUNITIES & THREATS

The Department of Telecommunications (DOT) has accepted the Finance Ministry's proposal to double the reserve price for spectrum to be auctioned for 3G Telephony from Rs.2020 crores to Rs.4040 crores. MTNL has to match the bidding prices as required by the Govt.

Given the headstart that the company has got in 3G services when compared with private operators, this lead could attract high end customers from other network to MTNL's network.

The Govt. has extended full exemption from special additional duty of custom on components and accessories of mobile handset including cell phones for a year thereby ensuring the affordability of owning a mobile connection by general public.

MARKET RISKS

The telecommunications market in the cities of Delhi and Mumbai are among the most competitive markets. MTNL faces intense competition from the other mobile operators and the basic service operators. This has led to an increased pressure on margins due to reducing tariffs and also on the customer retention and acquisition. The Average revenue per user is also going down. With new operators coming in Delhi and Mumbai, such competitive pressures are likely to increase further, putting a further strain on the margins. Recently DOT has issued LOIs to a number of new players which will lead to increased competition to market share. MTNL is confined only in two cities i.e. Delhi and Mumbai, therefore MTNL is not able to expand its telecom services beyond its area of jurisdiction.

POLICY AND REGULATORY RISKS

The telecommunications sector in India is one of the highest taxed sector. The high level of license fee is a big strain on the finances of the company. This is paid over and above all other taxes and duties which are levied on all other businesses. Regulatory policies cannot be foretold and may at time, be such as to affect the financials of the company.

MANPOWER RISKS

There is a huge workforce and a large percentage of revenue is spent on staff. In comparison of the staff costs of other operators, it is much high in MTNL. This is a major risk which the company faces, as it has little



flexibility in the matter and may have to continue to carry the cost. It may in fact become even higher as wage negotiations are now due as per the earlier wage agreement which was for 10 years. Considering the tremendous growth of private sector and opportunities that have become available and availability of employment in telecom & IT sectors, retention of suitable manpower is a big challenge.

OUTSTANDING DUES

Over the years, the amount owned to MTNL by its customers had been increasing and accumulated significantly. Realisation of dues from customers has become even more difficult in the increasingly competitive telecom market as the customers can close the connection and take services of other operators. Efforts are being made to reduce the outstanding and some success has been achieved in bringing down total outstanding in a multi operator environment, this risk remains.

HUMAN RESOURCE DEVELOPMENT

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

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

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

INTERNAL CONTROL SYSTEM & THEIR ADEQUACY

The company has internal control system commensurate with its size and nature of business and meeting with following objectives:-

- (i) Efficient use and safeguarding of resources
- (ii) Compliance with statutes, policies and procedures
- (iii) Transactions being accurately recorded and promptly reported

The Internal Control System provides well-documented policies, guidelines authorizations and approval procedures. The internal Audit Department conducts periodic audits across all locations and all functions throughout the year. The observations raised out of the audit are subject to periodic review and compliance monitoring. The Audit Committee of the Board on a regular basis reviews the internal audit Reports along with the report of the status of implementation of recommendations contained therein.



Annual Accounts
(2008-09)



Bansal Sinha & Co.
Chartered Accountants
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New Delhi-110 060
Phone : 25722270, 25853424
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Email : bsc@bansalsinha.com
visit us at www.bansalsinha.com

AUDITORS' REPORT

To,

**The Members of
Mahanagar Telephone Nigam Limited
New Delhi**

1. We have audited the attached Balance Sheet of Mahanagar Telephone Nigam Limited as at March 31, 2009, the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto, in which, the accounts of 3 units namely Delhi unit, Mumbai unit and Mobile Service Unit (Delhi & Mumbai both) are incorporated, which are audited by the branch auditors appointed by the Comptroller & Auditor General of India. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) Order, 2004 (together the 'Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the basis of such checks as we considered appropriate and according to the information and explanation given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.
4. Further to our comments in the Annexure referred to in paragraph 3 above and subject to:
 - a) **Note No.4 regarding claim of the company for deduction under section 80IA of the Income Tax Act, 1961 pending at various appellate authorities. We are unable to comment on the impact as the outcome of these cases is not ascertainable at this stage.**
 - b) **Note No. 16 regarding the issue of pension, gratuity and leave encashment liability on account of absorbed employees is yet to be settled with the DOT which may have substantial favourable impact on the profitability of the company. (Refer Note No. 16)**



- c) Note No.22 regarding non implementation of II wage revision pending pension issue with the DOT.We are unable to comment on the impact of the same on the accounts of the company.
- d) Note No. 15 regarding the amounts recoverable from DOT and BSNL are subject to reconciliation and confirmation and in view of various pending disputes regarding each other's claims we are unable to comment on the impact of the same on the profitability of the company.
- e) The Delhi mobile service Unit has not made provision in the accounts for the balance of Rs 141.75 millions outstanding for more than 3,years in respect of dues from operators. Thus, the profit of the company is overstated by Rs. 141.75 millions and Claims Recoverable have been overstated by the same amount.
- f) The Delhi Unit has not made provision in the accounts for the balance of Rs 24.14 millions outstanding for more than 3 years in respect of dues from operators. Thus, the loss of the company is understated by Rs. 24.14 millions and debtors have been overstated by the same amount.
- g) Note No.18 regarding non provision of certain claims of the BSNL on account of signalling charges, Transit tariff, MP Bills,IUC Claims and IUC claims of MTNL rebutted by BSNL,Service Connection billing& TAX charges recoverable and payable, pending identification, reconciliation and settlement of these and other similar claims of the company the impact of the same is not ascertainable.
- h) Note No.7 regarding non provision of stamp duty for the properties where the conveyance/ lease deed is yet to be executed, and the amount is unascertainable.
- i) Note No.38 regarding non provision of impairment of assets in terms with Accounting Standard 28.
- j) Non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions.
- k) Non provision of LTC/ encashment of LTC not availed by the employees, amount unascertained.
- l) Note No.19 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.
- m) Note No 14(b) regarding balance in subscriber's deposits account of Rs.4526.22 Million and interest accrued thereon of Rs. 58.49 Million, unlinked receipts from subscribers Rs. 82.31 Million are subject to reconciliation.Balance of sundry debtors as per Ageing Summary is short by Rs. 62.24 Million with comparison to balance in general ledger though the same has been fully provided for.The reconciliation of metered and billed calls in various units is in process. The reconciliation of leased, operational and billed circuits is in progress.The final impact of above on the accounts is presently not ascertainable and the same may have an impact on the Profitability of the company. [Refer Note No. 15(b)].



- n) During the year no reconciliation of roaming receivables has been carried out. The impact of non-reconciliation of roaming debtors on profitability if any is unascertainable
- o) The system of issuance of completion certificates by engineering department needs to be strengthened. The impact due to the delay in issuance of completion certificate on Fixed Assets and Depreciation is not ascertainable.
- p) The balance of amount payable to GPF Trust is subject to confirmation, reconciliation and subsequent adjustments.
- q) Note No.12 regarding the Bank Reconciliation Statements as at 31st March, 2009 include the unmatched/ unlinked credits and debits aggregating Rs. 55.25 million and Rs. 63.23 million respectively, which have not been properly accounted, in the absence of adequate particulars. The impact of such entries on the Accounts cannot be ascertained. (Refer Note 10 in Schedule - T)
- r) In absence of agreement between the company and DOT/BSNL for interest recoverable/ payable on current account, no provision has been made for interest payable/ receivable on balances during the year.
- s) Note No.21 regarding retaining of outstanding liability of Rs. 470.1 Million on account of decommissioned assets pending arbitration case.
- t) Note No.9(d) regarding Claims receivables include Rs.22.50 Million towards ADC charges receivable from certain operators accounted for on conservative basis in the financial year 2007-08 and which may have a favourable impact on the results on settlement/acceptance. [Refer Note 14 in Schedule U (b)].
- u) Note No. 28 regarding the requisite information & details for the identification of Micro, Small & Medium enterprises as such we are unable to comment upon the compliance of section 15 & 22 of the Micro Small & Medium Enterprises Development Act-2006.
- v) The unit has not made following disclosures required under Schedule VI of the Companies Act, 1956 as per references given after each items:
- i) Consumption of stores and spares (Para no.3 (x) (a) of part II)
 - ii) Consumption of imported and indigenous stores and spares and Percentage to the total consumption (Para no.4 D (C) of Part II)
 - iii) The classification of sundry debtors as unsecured without considering the security deposit that the unit has received from subscribers.
 - iv) Debtor's figures outstanding for more than six months and upto six months are ascertained by the management and relied upon by the auditors.

The overall impact of quantifiable qualification in above para 4 (e) & (f) is that the Provisions of the unit is understated by Rs.165.89 Millions and the claims recoverable has been overstated by equivalent amount. Impact of matters referred to in the preceding remaining paras on the profit for the year is unascertainable.



We report that:

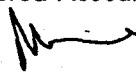
- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) In our opinion, proper Books of Account, as required by law, have been kept by the Company, so far as appears from our examination of those books except that the following items referred to in paragraph I (i) of Significant Accounting Policies are consistently accounted on cash basis, instead of on accrual basis as required under section 209 of the Companies Act, 1956 :
 - a) Interest Income / Liquidated Damages, when realisability is uncertain.
 - b) Annual recurring charges of amount up to Rs.0.10 Millions each for overlapping period.
 - c) Revenue on account of service connections is being accounted for when the recovery for the same is established.
- iii) The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report, are in agreement with the books of account;
- iv) In our opinion, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 except AS – 2 regarding Valuation of Inventories (Refer Significant Accounting Policy No.3); AS – 4 regarding Contingencies and Events Occurring after the date of Balance Sheet; AS – 5 regarding Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies [Refer Significant Accounting Policy No.1 (i) and ii(a)]; AS – 6 regarding Depreciation Accounting [Refer Significant Accounting Policy No. 2(v)]; AS – 9 regarding Revenue Recognition [Refer Accounting Policy No 1(ii)]; AS – 10 regarding Accounting of Fixed Assets (Refer Significant Accounting Policy No. 3); AS – 15 regarding Accounting for Retirement Benefits in the Financial Statements of Employers (Refer Note No.32); AS -28 regarding Impairment of Assets (Refer Note No.38); AS-29 on Provisions for Contingent Liabilities and Contingent Assets.-
- v) Since the company is a Government company, clause (g) of sub-section (1) of section 274 of the Companies Act, 1956 regarding obtaining written representations from the directors of the company, is not applicable to the Company in terms of Notification No.GSR-829 (E) dated 21.10.2003);
- vi) Attention is further invited to the following without making them a subject matter of qualification: -
 - a) Note No.11 regarding overdues of Rs.1000 million by one of the Govt. company which have considered good on the basis of comfort letter issued by the concerned Ministry.
 - b) Non availability of information about the transactions required to be entered in the registers maintained under section 301 of the Companies Act, 1961.
 - c) Note No.6 (c) Pending the decision of the review petition before the Hon'ble Supreme Court Of India of a sum of Rs.32.29 millions, payable in terms of earlier directions of Hon'ble Supreme Court of India to various Companies, has not been provided for by the company.



- d) Note No.17 regarding non provision of diminution in the value of investments in subsidiaries and joint venture considering the diminution as temporary in nature.
- e) The amount of service tax included in debtors and adjusted from deposit is not generated from the system and is done on manual basis. Service Tax ageing is also not available.
- f) Revenue from pre paid services has been recognised on the basis of SIM activated and its usage output generated through system and certified by the management being a technical matter.
- g) Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalised if it results in enhancement of revenue earning capacity as stated in Significant Accounting Policy 2(III). This being a technical matter, we have placed reliance on the opinion of the management.
- h) Note 5 (b) regarding Income Tax Reconciliation resulting in prior period income amounting to Rs. 2536.44 Millions on account of interest on Income Tax Refunds.
- i) Non – compliance of various clauses of Clause – 49 of the Listing Agreement relating to Corporate Governance, as per detail given hereunder:
 - i) The Board of Directors should have an optimum combination of executive and non – executive directors with not less than 50% of the board of directors comprising of non executive directors. The company has four functional directors including Managing Director and has only 2 non functional directors.
 - ii) The Audit Committee constituted by the company has only one independent director in place six, as required by law.
 - vii) In our opinion, and to the best of our information and according to the explanations given to us, the said accounts read with the significant Accounting Policies and together with the notes thereon, give the information required by the Companies Act, 1956, in the manner so required and also give, subject to our observations in paragraph 4 foregoing, a true and fair view in conformity with the accounting principles generally accepted in India.
 - (a) in the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2009;
 - (b) in the case of the Profit & Loss Account, of the Profit of the Company for the year ended on that date; and
 - (c) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Place : New Delhi
Dated : August 1, 2009

For Bansal Sinha & Co.
Chartered Accountants


(Ravinder Khullar)
Partner
Membership No. 82928



ANNEXURE - I TO THE AUDITORS' REPORT

(REFERRED TO IN PARAGRAPH - 3 OF OUR REPORT OF EVEN DATE)

As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government of India in terms of section 227(4A) of the Companies Act, 1956 and as per the information and explanations given to us, the books and records examined by us in the normal course of audit, the reports received from the Branch Auditors and to the best of our knowledge and belief, we further report that:

1. (a) Delhi unit has maintained records of fixed assets. *In case of Mumbai Unit and MS unit Mumbai, fixed assets registers maintained w.e.f. 01.04.2002 are adequate in so far as these give full particulars of quantitative details. In MS unit - Delhi, records of fixed assets have been maintained. Corporate Office has maintained fixed assets register showing full particulars including quantitative details.*
- (b) As per the Accounting Policy of the company, Fixed Assets are required to be physically verified by the Management on rotation basis, once in three years. As certified by the management, the office machinery and equipment, electrical appliances, Furniture & Fixtures and line and wires were physically verified in accordance with programme of verification by the management in this year and relied on by us. *In our opinion, the area of physical verification needs to be further strengthened.*
- (c) The company has not disposed off any substantial part of its fixed assets during the year and as such there is no effect on the going concern.
2. (a) In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals.
- (b) In our opinion, *the procedure of physical verification of the inventory followed by the management needs to be further strengthened and frequency needs to be increased. According to the information and explanations given to us, the physical verification of all the items of stores was carried out during the year by Delhi and Mumbai units. However, at MS unit, Delhi, physical verification was conducted only for SIM cards but Detailed physical verification were not made available for the verification of auditors.*
- (c) The Company is maintaining proper records of inventory. As per the information provide to us, discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of accounts.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured; to or from companies, firms or other parties covered in the register maintained u/s 301 of the Companies Act, 1956. Consequently, clauses (iii)(b), (iii)(c), (iii)(d), (iii)(e), (iii)(f) and (iii)(g) of paragraph 4 of the order are not applicable.



5. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods / services. *The Unit Auditors have shown their inability to comment on the procedures with respect to the purchases under tenders floated and evaluated by corporate office. However, in our opinion the internal control procedures needs to be further strengthened in this regard. The system regarding reconciliation & confirmation of deposit to various departments, reconciliation between the exchanges generated calls & billed calls, reconciliation of the balance in subscriber deposit account with subsidiary record, needs to be strengthened. The overall internal control systems on revenue billing needs to be strengthened, as the amount of service tax is not generated from the system and service tax aging is also not available. System of reconciliation of IUC payable needs to be strengthened, as the amount generated as per the system for payable in certain cases has to be reconciled with some operators. Further in our opinion there should be a system of cross checking of IUC billing to operators.*
6. The Company has not made purchase of material from companies, firms or other parties listed in the register required to be maintained under section 301 of Companies Act 1956, aggregating during the year to Rs. 5,00,000/- or more in value in respect of each party. *The company has, however, obtained and provided the services from / to the companies, firms or other parties listed in the register required to be maintained under section 301 of the Companies Act, 1956. The above transactions, though required to be entered in the register required to be maintained under section 301 of the Companies Act, 1956, have not been entered.*
7. As informed to us, the Company has not accepted any deposits from the public during the year within the meaning of section 58 A of the Companies Act, 1956 and the rules framed there under. Therefore, the directives issued by the Reserve Bank of India are not applicable.
8. In our opinion, the Internal Audit System of the company commensurate with the size of the Company and the nature of its business. *However, the authority and independence, extent of coverage of the areas of operations, frequency / quality of reporting / timeliness of the reporting and the follow up of internal audit observations need to be strengthened.*
9. The Central Government has prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of Companies Act, 1956 w.e.f. 01.04.2003. *The company has maintained the required Cost Records for the year 2007-2008 and the same records for the year under audit would be prepared after the audit of the final account. We have not carried out any detailed verification of these cost records.*
9. (a) There were no undisputed amounts payable in respect of Statutory Dues including Contributory Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Custom Duty, Excise Duty, Cess and any Other Statutory Dues outstanding as at 31.03.2009, for a period of more than six months from the date they become payable except service tax payable on amount lying in unlinked credits accounts in units (amount not ascertainable). As



informed to us, the provisions of Employees State Insurance Act are not applicable to the company. There has generally been no delay in depositing CPF contribution to the trust. GPF contribution, in respect of employees on deemed deputation, is generally remitted regularly to DOT cell. GPF contribution, in respect of absorbed DOT employees, has been deposited with the GPF Trust after registration of the trust with Income Tax Department.

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

(i) **Local Sales Tax and Central Sales Tax / VAT:**

(i) **Sales Tax**

Name of the Statute	Amount (Rs) L.S.T	Amount (Rs) C.S.T	Period	Authority where pending
Delhi Sales Tax Act	268131	92302769	1988-89	Addl. Comm. Sales Tax
Delhi Sales Tax Act	162120	20517000	1989-90	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1006001	15337192	1990-91	Addl. Comm. Sales Tax
Delhi Sales Tax Act	11660806	63932673	1991-92	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1437418	144392134	1992-93	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1699669	176491	1993-94	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1032760	201103762	1994-95	Addl. Comm. Sales Tax
Delhi Sales Tax Act	827253	88446906	1995-96	Addl. Comm. Sales Tax
Delhi Sales Tax Act	71319	0	1996-97	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0		1997-98	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0	102613	1998-99	High court
Delhi Sales Tax Act	1461	545178	1999-00	High court
Delhi Sales Tax Act	88527	5000	2000-01	High court
Delhi Sales Tax Act	2036407	15200	2001-02	Addl. Comm. Sales Tax
Delhi Sales Tax Act	371932	0	2002-03	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1255424	0	2003-04	Addl. Comm. Sales Tax
Delhi Sales Tax Act	0	180544146	1987-88 to 1993-94	Addl. Comm. Sales Tax
Delhi Sales Tax Act	72041344	4234	2004-05	Addl. Comm. Sales Tax
Delhi Sales Tax Act	4459877	0	2005-06	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1286637	0	2006-07	Addl. Comm. Sales Tax
Delhi Sales Tax Act	1046779	0	2007-08	Addl. Comm. Sales Tax
TOTAL	100753865	807425298		

The unit has already deposited Rs. 154511466 out of the total disputed liability stated above.



(ii) Service Tax

Name of the Statute	Amount (Rs) Service Tax	Period	Authority where pending
Service Tax Act	220600000	2007-08	Excise Comm.

Delhi Unit has already deposited Rs. 15, 45, 11,466.90, out of the total disputed liability as above.

Name of the Statute	Nature of Dues	Amount under dispute not deposited	Year to which amount relates	Forum where the dispute is pending
BST Act	Assessed Amount	54,602,898	2002-03	Jt. Commr. of Sales Tax Appeals
BST Act	Assessed Amount	101,628,984	2001-02	Jt. Commr. of Sales Tax Appeals
BST Act	Assessed Amount	54,829,094	2000-01	MSTT
BST Act	Assessed Amount	40,201,675	1999-00	MSTT
BST Act	Assessed Amount	59,424,662	1998-99	MSTT
BST Act	Assessed Amount	53,193,370	1996-97	DC
BST Act	Assessed Amount	3,552,968	1993-94	MSTT
Finance Act. 1994	Service Tax: W S S.Cause Notice	4,100,000	2003-04	CESTAT
Lease Act (Now under MVAT)	Assessed Dues	682,019,710	2003-04	Jt. Commr. of Sales Tax Appeals
	Total Rs.	1,053,553,361		

10. The company has not incurred any losses in the current year and in the financial year immediately preceding such financial year.
11. The Company has neither taken any loans from a financial institution / bank nor issued any debentures. Accordingly, clause 4 (xi) of the order is not applicable.
12. The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4 (xii) of the order is not applicable.
13. The Company is not a Chit Fund or a Nidhi Mutual Benefit Fund / Society. Accordingly, clause 4(xiii) of the order is not applicable.



14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable.
15. According to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.
16. The Company has not obtained any Term Loans. Accordingly, clause 4(xvi) of the Order is not applicable.
17. The Company has not raised any Long Term or Short Term Loan. Accordingly, Clause 4(xvii) of the Order is not applicable.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Act.
19. The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.
20. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.
21. According to the information and explanations given to us, no major fraud on or by the company has been noticed or reported during the year. The details with regard to status of frauds till 31.03.2009 have not been provided to Delhi unit auditors and as such provision in this regard, if any, has not been made.

For Bansal Sinha & Co.
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Ravinder Khullar', is written over a horizontal line.

(Ravinder Khullar)

Partner

Membership No. 82928

Place : New Delhi

Dated : August 1, 2009



MAHANAGAR TELEPHONE NIGAM LIMITED
Balance Sheet as at 31st March, 2009

		As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	6,300.00	6,300.00
Reserves & Surplus	B	114,293.68	112,913.58
Loan Funds			
Deferred Tax Liability (Net)	C	3,552.96	4,865.16
Total		<u><u>124,146.64</u></u>	<u><u>124,078.74</u></u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	162,932.76	158,425.77
Less : Depreciation		<u>100,094.42</u>	<u>95,227.81</u>
Net Block		<u>62,838.34</u>	<u>63,197.96</u>
Capital Work-in-Progress	E	9,504.79	9,649.85
Investments	F	4,650.92	5,573.92
Current Assets, Loans & Advances			
Inventories	G	1,912.68	1,607.05
Sundry Debtors	H	7,824.67	9,417.97
Cash & Bank Balances	I	48,027.98	33,693.60
Other Current Assets	J	3,430.75	2,385.17
Loans & Advances	K	<u>95,252.51</u>	<u>94,512.74</u>
		<u>156,448.59</u>	<u>141,616.53</u>
Less : Current Liabilities and Provisions			
Current Liabilities	L	48,352.58	43,093.00
Provisions	M	<u>61,910.32</u>	<u>54,458.22</u>
		<u>110,262.90</u>	<u>97,551.22</u>
Net Current Assets		46,185.69	44,065.31
Deferred Revenue Expenditure		966.90	1,591.70
Total		<u><u>124,146.64</u></u>	<u><u>124,078.74</u></u>
Accounting Policies & Notes to Accounts	T		


The Schedules referred to above form an integral part of the Balance Sheet.
 In terms of our report of even date

For Bansal Sinha & Co.
 Chartered Accountants


(Ravinder Khullar)
 (Partner)
 M.No: 082928

Place : New Delhi
 Date : 1st August, 2009


(S.R. Sayal)
 Company Secretary


(Anita Soni)
 Director (Finance)


(R.C. Sen)
 Jt. General Manager (Accounts)


(R.S.P. Sinha)
 Chairman & Managing Director



MAHANAGAR TELEPHONE NIGAM LIMITED
Profit & Loss Account for the year ended 31st March, 2009

		For the year ended 31.3.2009 (Rs.in Million)	For the year ended 31.3.2008 (Rs.in Million)
INCOME			
Income from Services	N	44,559.99	47,225.17
Other Income	O	7,942.75	6,074.16
		<u>52,502.74</u>	<u>53,299.33</u>
EXPENDITURE			
Employees' Remuneration and Benefits	P	21,273.96	16,434.71
Revenue Sharing		7,525.73	8,042.41
Licence Fee		4,285.75	4,215.11
Administrative, Operating & Other Expenses	Q	9,779.38	11,222.19
Depreciation	D	6,988.47	7,040.60
Interest	R	11.53	27.82
		<u>49,864.82</u>	<u>46,982.84</u>
Profit Before Tax		2,637.92	6,316.49
Provision for Taxation		2,266.79	3,587.94
Provision for Deferred Taxation		(1,312.20)	(1,339.63)
Profit After Tax		1,683.33	4,068.18
Prior Period Adjustments	S	(2,496.78)	(1,800.73)
Prior Period Tax		2,062.94	—
Profit For the Year		2,117.17	5,868.91
Profit Available for Appropriation		2,117.17	5,868.91
Appropriations :			
Interim/Final Dividend		630.00	2,520.00
Tax on Dividend		107.07	428.27
Transfer to General Reserves		1,380.10	2,920.64
		<u>2,117.17</u>	<u>5,868.91</u>
Earning Per Share			
Basic/Diluted earnings per share (in Rs.)		3.36	9.32
(Refer note 37)			


Accounting Policies & Notes to Accounts T

The Schedules referred to above form an integral part of the Profit & Loss Account.
 In terms of our report of even date

For Bansal Sinha & Co.
Chartered Accountants


(Ravinder Khullar)
(Partner)
M.No: 082928


(S.R. Sayal)
Company Secretary


(Anita Soni)
Director (Finance)


(R.C. Sen)
Jt. General Manager (Accounts)


(R.S.P. Sinha)
Chairman & Managing Director

Place : New Delhi
Date : 1st August, 2009



SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2009

SCHEDULE-A

Share Capital

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of Rs.10/- each	8,000.00	8,000.00
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Fully paid		
Equity Shares of Rs. 10/- each	6,300.00	6,300.00
Out of the above shares		
(i) 59,99,98,400 Equity Shares are allotted as fully paid up pursuant to a contract without payment being received in cash out of which 35,43,72,740 Shares are held by the Government of India		
(ii) 3,00,00,000 Equity Shares are allotted as fully paid up represented by Global Depository Receipts (GDRs) through an International Offering in US Dollars. One GDR represented two equity shares. In Nov, 2001 the GDRs were exchanged in American Depository Shares (ADSs) on a one -for-one basis. One ADS also represents two of our equity shares.		
	6,300.00	6,300.00

SCHEDULE-B

Reserves & Surplus

	As at 1.4.2008 (Rs in Million)	Addition during the year (Rs in Million)	Deduction during the year (Rs in Million)	As at 31.3.2009 (Rs in Million)
Share Premium	6,650.05	-	-	6,650.05
Share Premium (Prev.Yr)	(6,650.05)	(0)	(0)	(6,650.05)
General Reserve	91,714.71	6,515.10	-	98,229.79
General Reserve (Prev.Yr)	(93,905.57)	(2,920.64)	(5,111.50)	(91,714.71)
Reserve For Contingencies	14,240.84	-	5,135.000	9,105.84
Reserve For Contingencies (Prev.Yr)	(9,129.34)	(5,111.50)	-	(14,240.84)
Reserve For Research & Development	308.00	-	-	308.00
Reserve For Research & Development (Prev.Yr)	(308.00)	-	(0)	(308.00)
TOTAL	112,913.60	6,515.10	5,135.00	114,293.68
(Previous Year)	(109,992.96)	(8,032.14)	(5,111.50)	(112,913.60)



SCHEDULE-C

Deferred Tax Liability (Net)

	Deferred Tax Liability (Asset) As at 1.04.2008 (Rs. in Million)	Current Year Charge/(Credit) (Rs. in Million)	Deferred Tax Liability (Asset) As at 31.03.2009 (Rs. in Million)
Deferred Tax Liabilities			
Difference between Book, Tax Depreciation & others	13,166.97	(212.82)	12,954.15
Difference between Book, Tax Depreciation & others (Prev.Yr)	(13,523.89)	(-356.92)	(13,166.97)
Total - A	13,166.97	(212.82)	12,954.15
	(13,523.89)	(-356.92)	(13,166.97)
Deferred Tax Assets			
Provision for Doubtful Debts, Advances and Bank Balances	(3,913.29)	(252.55)	(4,165.84)
Provision for Doubtful Debts, Advances and Bank Balances (Prev.Yr)	(-3491.86)	(-421.43)	(-3913.29)
Provision for Obsolete Stock	(275.16)	(6.38)	(281.54)
Provision for Obsolete Stock(Prev.Yr)	(-231.58)	(-43.58)	(-275.16)
Others	(4,113.36)	(840.45)	(4,953.81)
Others(Prev.Yr)	(-3595.66)	(-517.70)	(-4113.36)
Total - B	(8,301.81)	(1,099.38)	(9,401.19)
	(-7319.10)	(982.71)	(-8301.81)
Deferred Tax Liability (A – B)	4,865.16	(1,312.20)	3,552.96
	(6,204.79)	(-1339.63)	(4,865.16)

SCHEDULE - D : FIXED ASSETS

DESCRIPTION	AS AT 1.4.2008	GROSS BLOCK (RS IN MILLION)			DEPRECIATION (RS. IN MILLION)				NET BLOCK (RS IN MILLION)		
		ADDITIONS DURING THE YEAR	ADJUSTMENTS DURING THE YEAR	SALES DURING THE YEAR	AS AT 31.3.2009	AS AT 1.4.2008	FOR THE YEAR	SALES/ ADJUSTMENTS DURING THE YEAR	AS AT 31.3.2009	AS AT 31.3.2009	AS AT 31.3.2009
INTANGIBLE ASSETS:-											
APPLICATION SOFTWARE	410.24	19.82	-	-	430.05	79.63	41.50	-	121.13	308.93	330.61
LAND:											
- FREEHOLD	190.48	-	-	-	190.48	-	-	-	-	190.48	190.48
- LEASEHOLD	2,717.09	65.84	-	-	2,782.93	303.88	30.05	-	333.93	2,449.00	2,413.21
BUILDING	11,396.14	692.49	-	-	12,088.63	2,857.65	402.03	1.17	3,258.52	8,830.11	8,538.49
LEASED PREMISES	37.85	15.06	-	-	52.92	7.12	1.13	-	8.25	44.67	30.73
LINES & WIRES	868.73	49.07	-	-	917.80	585.83	24.17	(0.04)	610.04	307.76	282.89
CABLE	69,240.70	693.38	17.30	44.07	69,972.71	45,845.99	2,013.75	83.59	47,776.15	22,096.56	23,394.71
APPARATUS & PLANT	68,237.11	5,443.23	1,875.30	1,812.27	69,992.77	42,148.25	4,195.70	2,061.20	44,282.74	25,710.02	26,088.86
VEHICLES	312.53	4.21	1.86	0.78	314.10	234.03	20.84	2.31	252.56	61.54	78.50
FURNITURE & FIXTURES	1,337.00	77.28	-	0.01	1,414.27	871.73	62.39	0.01	934.11	480.16	465.27
OFFICE MACHINERY & EQUIPMENTS	369.90	4.12	1.71	-	372.31	195.63	15.13	0.66	210.09	162.22	174.27
ELECTRICAL APPLIANCES	1,358.56	28.69	(0.44)	-	1,387.69	572.61	44.24	(29.53)	634.49	753.20	785.94
COMPUTERS	2,075.95	802.04	1.48	5.09	2,871.42	1,525.46	153.11	6.16	1,672.41	1,199.01	550.49
ASSETS SCRAPPED/ DECOMMISSIONED	(126.51)	870.37	499.18	-	244.69	-	-	-	-	244.69	(126.51)
TOTAL	158,425.77	8,765.59	2,396.38	1,862.22	162,932.76	95,227.81	7,004.04	2,125.53	100,094.42	62,838.34	63,197.96
Previous Year	152,913.45	7,176.01	1,659.58	4.11	158,425.77	88,876.77	7,091.64	740.60	95,227.81	63,197.96	-

Notes

1.Additions during the year include adjustments on account of value difference, spill over cost, etc identified during the year in respect of existing fixed assets

2.Depreciation charged during the year includes:

Rs.in.Million

- a. Depreciation for the year
b. Depreciation /adjustment relating to prior period
c. Depreciation written back

6,988.47

15.57

7,004.04





SCHEDULE-E

Capital Work-in Progress

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.in Million)
Buildings	390.54	362.86
Apparatus & Plants	6,871.97	7,567.63
Lines & Wires	23.85	12.42
Cables	1,880.76	1,461.47
Subscribers' Installations	131.08	139.38
Air Conditioning Plants	222.96	124.28
Less Provision For Abandoned Works	(16.38)	(18.19)
	9,504.79	9,649.85

SCHEDULE-F

Investment

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.in Million)
Long Term-Non Trade (At Cost)		
Investment in 1000000 8.75% Un Quoted preference share of Rs. 100/- each fully paid up with M/s. ITI Ltd. (Refer Note No.11)	1,000.00	1,000.00
Investment in subsidiary company-		
MillenniumTelecom Ltd. (Un Quoted 2875880 Equity shares of Rs. 10 each fully paid up)	28.76	28.76
Mahanagar Telephone Mauritius Ltd. (Un Quoted 49418754 Equity Share of MUR 10 (INR 14.9251) each fully paid up)	828.01	737.58
Investment in Joint Ventures		
with United Telecom Ltd. (Un-Quoted 4642320 Equity Share of Nepali Rs. 100 (INR 62.50) each, fully paid up)	290.15	290.15
with MTNLSTPI IT Services Ltd.(Un Quoted 400000 Equity share @Rs.10 each)	4.00	0.25
Others		
Investment in LIC (MF)	-	508.83
Investment in UTI (MF)	-	508.35
Investment in Un Quoted 11.5% Bonds fully paid up of Maharashtra Krishna Valley Development Corporation Ltd. (Redemption in the Year 2012)	2,500.00	2,500.00
	4,650.92	5,573.92



SCHEDULE - G

Inventories (At Cost)

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Stores and Spares:		
Building Material	0.46	0.62
Lines & Wires	47.61	87.73
Cables	1,083.27	1,046.64
Exchange Equipments	617.89	396.75
WLL Equipments	12.93	7.86
Telephone & Telex instruments	265.60	147.10
WLL Instruments	181.85	203.44
Telephones & Telex Spares	2.80	2.79
Installation Test Equipments	0.32	0.42
Store - in -Transit	-	0.10
Mobile Handsets & Sim Cards	13.69	17.54
	2,226.42	1,910.99
Less: Provision for obsolete stores	313.74	303.94
	1,912.68	1,607.05

SCHEDULE - H

Sundry Debtors (Unsecured)*

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Outstanding for a Period Exceeding Six Months		
Considered Good	3,215.24	3,189.42
Considered Doubtful	5,055.91	4,202.14
Other Debts		
Considered Good	1,424.06	2,703.91
Considered Doubtful	-	39.48
Income Accrued from services	2,927.50	3,450.56
	12,622.71	13,585.51
Less: Provision for doubtful debts	4,785.07	4,151.20
Less: Provision for wrong billing	12.97	16.34
	7,824.67	9,417.97

For the current year, debtors exceeding Six months, considered good & doubtful includes service tax of Rs.494.15 Millions (Rs 355.01Millions) & Rs.739.48 Millions (Rs.454.76 Millions) respectively. Other debtors considered good include service tax of Rs.246.30 Millions(Rs.416.08Millions).

* Except to the extent covered by security deposit from subscribers.



SCHEDULE - I

Cash & Bank Balances

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Cash in hand, (Including cheques in hand) (Rs. 23.98 Millions) (Previous year Rs.40.87 Millions)	54.33	65.41
Balance with Scheduled Banks		
In Current Accounts	1,244.72	1,237.75
In Fixed Deposit Accounts	46,728.99	32,390.50
Balance with Non-Scheduled Banks		
In Current Account (Refer Note 28)	5.66	5.66
	48,033.70	33,699.32
Less: Provision for Doubtful Bank Balances	5.72	5.72
	48,027.98	33,693.60

SCHEDULE - J

**Other Current Assets
Unsecured Considered Good**

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Interest Accrued on Deposits with Banks,	2,309.02	1,336.13
Interest Accrued on Bonds	192.19	192.19
Income Accrued From other Deposits & Loans & Advances	929.54	852.64
Cheque in transit with other Bank	-	4.21
	3,430.75	2,385.17



SCHEDULE - K

**Loans & Advances
Unsecured Considered Good***

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Loans & Advances		
Secured Loans		
Housing Loan To Employees	1,561.24	1,808.00
<u>Un Secured Loans</u>		
(Considered good, unless otherwise stated)*		
(1) To Other Corporates	826.26	908.09
(2) <u>To Employees</u>		
i) Vehicles	51.72	38.58
ii) Others	148.06	122.07
Amount Recoverable from DOT	31,543.80	30,856.38
Amount Recoverable from BSNL	16,785.67	6,036.89
Amount Recoverable from VSNL	-	3.42
Advances Recoverable in Cash or in Kind or for value to be received.	7,383.62	17,137.54
Advance to JV Co (MTNLSTPI IT Services Ltd)	5.13	4.60
Advance Tax	34,181.87	32,057.44
Deposits with Govt. Deptt.	446.14	476.86
Capital Advance	152.14	167.12
Amount Recoverable from GPF Trust	836.37	886.65
Others	1,848.93	4,571.03
	95,770.95	95,074.67
Less: Provision for Doubtful Advances	518.44	561.93
	95,252.51	94,512.74

* Except to the extent of doubtful advances recoverable in cash or in kind or for value to be received for which provision has been made.

**SCHEDULE - L****Current Liabilities**

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Sundry Creditors		
(i) For Goods and Services	6,802.99	6,377.64
(ii) For Work done	3,470.54	4,243.58
(iii) For Others	1,788.30	1,440.47
Advances Received from Customers & Others	415.95	405.50
Deposits from :		
(i) Contractors	345.10	367.49
(ii) Customers & Others	9,279.05	9,886.30
Unclaimed Bonds	0.06	0.06
Other Liabilities		
(i) For Salaries and Other Benefits	618.44	992.79
(ii) Bonus/ Ex-Gratia	442.90	390.00
(iii) GPF of MTNL optee	10,877.90	10,094.87
(iv) Others	10,051.37	6,293.91
Income Received in advance against Services	554.83	1,476.85
Amount Payable:		
(i) To DOT	658.69	455.00
(ii) To BSNL	2,498.54	0.57
(iii) To VSNL	27.48	18.72
(iv) To Subsidiary	6.37	6.37
(v) To Others	512.26	640.16
Interest Accrued but not due :		
(i) On Deposits	1.81	2.72
	48,352.58	43,093.00



SCHEDULE - M

Provisions

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.In Million)
Pension		
(i) Company Employees	33,486.60	31,451.29
(ii) Others	127.12	122.99
Leave Encashment		
(i) Company Employees	4,306.23	3,196.70
(ii) Others	6.51	12.56
Gratuity	2,609.66	2,609.66
Proposed Final Dividend	630.00	630.00
Tax on Dividend	107.07	107.07
Income Tax	20,367.34	16,128.27
Fringe Benefit tax	257.57	189.85
Wealth Tax	12.22	9.83
	61,910.32	54,458.22

Schedules Forming Part of Profit and Loss Account for the year ended 31-03-2009

SCHEDULE - N

Income from Services

	For the year ended 31.3.2009 (Rs.In Million)	For the year ended 31.3.2008 (Rs.In Million)
Telephone		
(a) Rentals	10,382.79	10,999.55
(b) Calls & Other Charges	9,888.85	12,636.84
(c) Franchises Services	2,290.97	3,991.54
(d) Rent & Junction Charges	3,211.08	1,133.02
(e) Access Calls & Other Charges	3,304.03	3,657.92
VCC	204.10	355.75
Internet	189.97	129.26
Telex	-	0.19
Circuits	634.16	480.73
WLL Rent	289.23	435.07
WLL Call Charges	247.38	445.82
Mobile		
(a) Rentals, calls & IUC revenue	2,528.17	2,395.51
(b) Income from Roaming	1,492.05	1,513.54
(c) Pre paid Trump	4,137.22	4,420.11
(d) Activation Charges	12.07	34.53
Broadband	4,474.65	3,358.73
Value added and Other Services		
(a) Indonet	0.26	1.22
(b) Voice Mail	91.18	74.40
(c) Free Phone	169.07	193.28
(d) Premium Rate	0.72	0.66
(e) ISDN - Rental	403.48	352.44
(f) ISDN - Call Charges	539.73	572.81
(g) VOIP Service	10.85	-
Others	57.97	42.25
	44,559.99	47,225.17



SCHEDULE - O
Other Income

	For the year ended 31.3.2009 (Rs.In Million)	For the year ended 31.3.2008 (Rs.in Million)
Interest		
(i) From Banks (Tax deducted at source Rs.1123.17 Millions (Rs.602.89 Millions)	4,751.40	2,618.28
(ii) Interest on Advances to Employees	128.64	108.82
(iii) Interest on Deposits, Advances and Others	357.25	310.21
(iv) Interest from Income Tax Department	1,425.70	1,100.18
Dividend from Mutual Fund	79.45	17.19
Sale of Directories, Publications, Forms etc.	10.24	22.52
Profit on Sale of Assets	19.93	26.11
Liquidated Damages	333.78	316.68
Foreign Currency Fluctuation	(55.28)	-
Bad Debts Recovered	29.09	62.07
Credit Balances Written Back	510.17	320.43
Rent on Quarters, Inspection Quarters, Hostels and other services provided	66.87	62.19
Others	285.51	1,109.48
	7,942.75	6,074.16

SCHEDULE - P
Employees' Remuneration and Benefits

	For the year ended 31.3.2009 (Rs.In Million)	For the year ended 31.3.2008 (Rs.in Million)
Salaries, Wages, Allowances and other Benefits	15,352.74	12,042.44
Bonus/ Ex-Gratia	526.44	474.16
Medical Expenses/Allowances	1,014.48	926.84
Leave Encashment		
(i) Company Employees	1,243.80	631.26
(ii) Others	6.57	7.30
Pension Contribution		
(i) Company Employees	3,413.18	4,032.86
(ii) Others	16.76	12.36
Contribution to Provident Fund	331.69	265.22
Gratuity	2,223.30	(165.17)
Compensation under VRS Scheme	625.11	625.19
Staff Welfare Expenses	47.46	126.47
	24,801.52	18,978.93
Less :		
Allocation to Capital Work-In-Progress	3,527.56	2,544.22
	21,273.96	16,434.71



SCHEDULE - Q
Administrative, Operating and Other Expenses

	For the year ended 31.3.2009 (Rs.In Million)	For the year ended 31.3.2008 (Rs.in Million)
Power & Fuel	1,830.56	1,883.37
Rent	649.73	618.98
<u>Repairs & Maintenance:</u>		
- Buildings	152.91	153.91
- Plant & Machinery	1,000.16	936.20
- Others	440.63	486.89
Insurance	32.72	37.14
Rates & Taxes	311.94	360.34
Travelling Expenses	36.81	43.31
Postage & Courier	142.48	172.64
Printing & Stationery	140.99	150.21
<u>Vehicle Expenses:</u>		
(i) Maintenance	15.95	14.05
(ii) Running	33.25	32.52
(iii) Hiring	98.10	93.10
Commission paid on Franchised Services	1,325.16	1,895.38
Comm. Paid to Pre Paid services	3.40	7.23
Advertising/Business Promotion Expenses	398.33	331.61
Provision for Doubtful Debts including Disputed Bills	741.76	1,238.59
Provision for Wrong Billing	1.26	1.28
Bad Debts Written Off	52.31	59.77
Provision for Obsolete Stores	18.78	128.22
Professional & Consultancy Charges	93.14	106.68
Seminar and Training Expenses	15.59	12.64
Miscellaneous Expenses	684.80	817.98
Loss on Sale of Assets	686.65	443.51
Internet charges	314.45	609.29
PSTN Charges	14.41	-
Spectrum Charges (WLL)	10.28	17.62
Spectrum Charges (MS)	306.80	338.81
Loss of Assets	535.60	440.98
	10,088.92	11,432.25
Less : Allocation to Capital work in progress	309.54	210.06
	9,779.38	11,222.19



SCHEDULE - R

Interest :

	For the year ended 31.3.2009 (Rs.In Million)	For the year ended 31.3.2008 (Rs.in Million)
<u>Interest on :</u>		
Customers' Deposits	10.82	15.82
GPF	-	0.02
Other	0.71	11.98
	11.53	27.82

SCHEDULE - S

Prior Period Adjustments

	For the year ended 31.3.2009 (Rs.In Million)	For the year ended 31.3.2008 (Rs.in Million)
Debits		
Power & Fuel	-	0.01
Rates & Taxes	-	13.02
Repairs to Plant & Machinery	31.47	2.00
Depreciation/Amotisation	15.57	51.04
Others (Current year income tax 57.87 Million) “(Previous Year includes includes Tax Rs. 671.37 Millions)”	59.46	748.87
	106.50	814.94
Credits		
Rate & Taxes written back	1.17	-
Income From Telephone	2.94	-
Excess provision written back (Income Tax)	-	2,526.53
Interest on Income Tax Refund	2,536.44	-
Others	62.73	89.14
	2,603.28	2,615.67
Net Adjustment	(2,496.78)	(1,800.73)



SCHEDULE FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31ST MARCH 2009.

SCHEDULE – T - SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation of financial statements

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

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

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

ii. Revenue Recognition

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

(b) Provision is made for wrong billing, disputed claims from subscribers excluding operators, cases involving suspension of revenue realization due to proceedings in Court and debtors outstanding for more than 3 years. In case of Mobile Services (GSM), the provision is made for dues, which are more than 180 days.

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

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

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

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

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



- v. Bonus / Ex - Gratia is paid based on the productivity - linked parameters and it is provided accordingly.
- vi. Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure, only cases involving sums exceeding Rs. 0.10 Millions are disclosed as prior period items.

1.1 Employee Retirement Benefits

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

2. Fixed Assets

- i. Fixed Assets are carried at cost less accumulated depreciation. Cost includes directly related establishment expenses including employee remuneration and benefits and other administrative expenses. Establishment overheads and expenses incurred in units where project work is also undertaken are allocated to capital and revenue based either on time allocated or other attributable basis. Assets are capitalized, as per the practices described below, to the extent completion certificates have been issued, wherever applicable.
 - (a) Land is capitalized when possession of the land is taken. Value of Leasehold Land is amortised over the period of lease.
 - (b) Building is capitalized to the extent it is ready for use.
 - (c) Apparatus & Plants principally consisting of Telephone Exchange Equipments and Air Conditioning Plants are capitalized on commissioning of the exchange. Subscribers Installations are capitalized as and when the exchange is commissioned and put to use either in full or in part.
 - (d) Lines & Wires are capitalized as and when laid or erected to the extent completion certificates have been issued.
 - (e) Cables are capitalized as and when ready for connection with the main system.
 - (f) Vehicles and Other Assets are capitalised as and when purchased.
 - (g) Intangible assets include application software are capitalised when ready for use.
- ii. The fixed assets of the company are being verified by the management at reasonable intervals i.e. once in every three years by rotation. The physical verification of underground cables is done on the basis of working of network and based on records available together with a certificate from the technical officers.



- iii. Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalised if it results in enhancement of revenue earning capacity.
- iv. Upon scrapping / decommissioning of assets, these are classified in fixed assets at the lower of Net Book Value and Net Realisable Value and the estimated loss, if any, is charged to Profit and Loss A/c.

v. Depreciation

- (a) Depreciation is provided on Straight Line Method at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in respect of Apparatus & Plant (including Air Conditioning System attached to exchanges), which is depreciated at the rates based on technical evaluation of useful life of these assets i.e. 9.5%, which is higher than the rates prescribed in Schedule XIV to the Companies Act, 1956.
- (b) 100 % depreciation is charged on assets of small value in the year of purchase, other than those forming part of project, the cost of which is below Rs.0.01 Millions in case of Apparatus & Plants, Training Equipment & Testing Equipment and Rs.0.20 Millions for partitions.
- (c) In case of intangible assets, the useful life of the assets is considered as 10 years and amortization is charged on depreciable amount accordingly. There will be no residual value at the end of the life of the assets.

3. Inventories

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

4. Foreign Currency Transactions

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

5. Deferred Revenue Expenditure

Compensation paid to employees retired under Voluntary Retirement Scheme (VRS) is treated as deferred revenue expenditure to be written off over a period of five years.

6. Investments

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



B. NOTES TO ACCOUNTS

	2008-09	2007-08
	(Rs. In Million)	
1. Contingent Liabilities		
(a) Income Tax Demands disputed and under appel	10977.29	17233.13
(b) Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	1580.84	1423.07
(c) Disputed Demand under Lease Act*	682.02	1943.99
(d) i Interest to DDA on delayed payments/Pending Court Cases/ Tax cases	Amount Indeterminate	Amount Indeterminate
ii Stamp duty payable on land and buildings acquired by the Company	Amount Presently Unascertainable	Amount Presently Unascertainable
(e) Claims against the Company not acknowledged as Debts.	6987.48	3013.49
(f) Bank guarantee & Letter of Credit	941.88	913.60
(g) Directory dispute	2858.34	2852.50
(h) Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution	1738.10	1738.10
(i) Pending court cases against land acquisition	Indeterminate	Indeterminate

*The Demand for the period from 1998-99 to 2002-03 has been withdrawn in full by Joint Commissioner (Appeals) whereas the authorities have raised fresh demand for the period from 2003-04 for Rs. 682.02 million and an appeal against the same has been made.

2. Estimated amount of contracts remaining to be executed on capital account in respect of Purchase order is Rs.4915.17 Millions (Previous year Rs.5492.87 millions). In respect of contracts where the expenditure already incurred has exceeded the contract value and the contract remains incomplete, the additional expenditure required to complete the same cannot be quantified.
3. Other liabilities include credits on account of receipts including service tax from subscribers amounting to Rs.352.04 Millions (Rs.312.45 Millions), which could not be matched with corresponding debtors or identified as liability, as the case may be. Appropriate adjustments/ payments shall be made inclusive of service tax, when these credits are matched or reconciled.
4. a) The company had claimed benefit under section 80 - IA of the Income Tax Act, 1961 for the



financial year from 1996-97 to 2005-06. The provision of Income Tax for the financial year 1996-97 to 1998-99 was made without considering the benefit u/s 80IA. For the F.Y. 1997-98 to 2003-04 and 2005-06, the benefits under section 80IA of the Income Tax Act were partially allowed by the IT department. The Company has obtained approval from the committee on Disputes to pursue its appeal before Hon'ble Income Tax Appellate Tribunal and the appeal is pending before ITAT.

- b) A Contingency Reserve of Rs.9105.84 millions was created from the General Reserve Accounts to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act, 1961. The contingency reserve so created excludes an amount of Rs.9003.97 millions for which the provision was created from the years 1996-97 to 2000-01 and the same is still maintained in the books of accounts pending final outcome of Hon'ble ITAT.
5. (a) Provision for taxation for the current year comprises of Income Tax of Rs. 2200.13 Millions, Wealth Tax of Rs.1.87 Millions and Rs.64.79 Millions for Fringe Benefit Tax. Prior period tax amounting Rs.2062.94 millions comprises of Rs.862.13 million for prior period income & Rs.1200.81 million for provision of tax for earlier years. Deferred Tax Assets of Rs. 1312.20 Millions made during the year.
 - (b) During the year as a result of reconciliation of taxation, an amount of Rs. 2536.44 million towards interest on income tax refunds of earlier years was booked as prior period income
 6. (a) The supplemental agreement entered into between United India Periodicals Pvt. Ltd. / United Data Base (India) Pvt. Ltd/ Sterling Computers Ltd and the company for printing of telephone directories was struck down by the Hon'ble High Court of Delhi on 30.9.92 and the said decision was upheld by the Hon'ble Supreme Court of India on 12.1.93. A claim against the Company has been raised by Sterling Computers Ltd. for Rs. 258.2 Millions which being under dispute, has not been provided for. The company has filed its counter claims of Rs. 228.7 Millions before the Hon'ble High Court against Sterling/UDI/UIP and has also filed arbitration claims of Rs. 561.8 Millions plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for Rs. 154.91 Millions (Rs. 154.91 Millions) on account of royalty, interest and billing charges and on payments made through Letter of Credit; Rs.130.47 Millions (Rs.130.47 Millions) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the Nigam for interest and service charges aggregating Rs.143.67 Millions (Rs.143.67 Millions) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation of claim and further claims recoverable shall be effected upon determination based on the outcome of the proceedings in the court of law.

MTNL has filed OMP No.151/1996 seeking enlargement of time under Section 28 of the Arbitration Act for the Arbitrator to publish the award. The case is still pending and will be listed along with OMP No.135/94 for final hearing. The petitioner M/s United India Periodical (Ltd.) filed OMP No.135/94 in the High Court of Delhi challenging the appointment of Arbitrator under Section 33 of the Arbitration Act 1940. The Petition is pending from 24.10.1994 in the High Court of Delhi. Now the petitioner has filed an application for amendment in the petition filed in the year 1994 with the prayer that the arbitration clause 20 of the original contract dated 14.3.1987 be determined by the Hon'ble Court of the subsequent events. The petitioner has also took plea of res-judicata as the MTNL filed the Suit No.4628 of 1994 in Mumbai and the same is pending before the Bombay High



Court. The case is now listed in the category of final matter and is on regular board of the Court for the both the aforesaid OMP's.

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

- (b) MTNL entered into contracts with M/s M & N Publications Limited for printing, publishing and supply of telephone directories for Delhi and Mumbai units for a period of 5 years starting from 1993. In view of the breaches of the terms and conditions of the contracts committed by the contractor in publishing first issue of the directories of both units and their failure to execute the remaining part of the contracts, both the contracts were terminated by MTNL on 22.07.1996. Income from royalty and other applicable recoveries, for first issue published by contractor, Rs. 181.2 Millions have been accounted for and received. As regards Delhi Unit, MTNL has claimed to the extent of Rs.2110 millions (approx.) plus interest thereon at various rates while M/s M&N Publications have counter claim of Rs.2860 millions (approx.) plus interest thereon. Sole Arbitrator has been appointed by both the parties. The effect of claims under the contract for remaining issues published by contractor will be accounted for in the year of issuing of award by the Sole Arbitrator.
 - (c) Hon'ble TDSAT, in MTNL Vs C.G.Faxmail & Others, vide its order had directed MTNL to refund the double rent charged by it to e-mail service providers. MTNL filed a Special Leave Petition against the aforesaid order before Hon'ble Supreme Court. The Hon'ble Supreme Court, while admitting the petition, directed the company to pay a sum of Rs.32.29 Millions to the C.G.Faxmail & Others. Vide Judgement dated 14.05.2008. The amount has not been deposited. The appeal has been dismissed, MTNL has filed for its review.
7. Certain Lands and Buildings capitalised in the books, are pending registration/legal vesting in the name of the company and the landed properties acquired from DOT have not been transferred in the name of the company and in the case of leasehold lands, the documentation is still pending. In case of Mumbai unit legal vesting of land and building of the value of Rs.9.86 Millions (Rs.14.60 Millions) acquired after 1st April, 1986 is under process.
8. The Mumbai Unit had applied for amnesty under the Maharashtra Kar Nivaran Yojana, 1999 in respect of the Sales Tax demands of Rs 8.10 Millions (Rs. 8.10 Millions). The application for amnesty towards demands aggregating Rs.2.09 Millions (Rs.2.09 Millions) has been accepted. The balance applications relating to demands of Rs.6.02 Millions (Rs.6.02 Millions) are under process and are not included under Contingent Liabilities.
9. a) Delhi Unit has accounted for the expenditure on account of telephone bills of service connections raised by BSNL towards MTNL for the period from 01.10.2000 to 30.09.2006 to the tune of Rs. 98.01 millions on the basis of actual reimbursement made for subsequent periods against the disputed claim of Rs.312.72 millions, since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of Rs. 214.72 millions is shown as contingent liability.



- b) Mumbai Unit, during the year has claimed from BSNL charges for leasing infrastructure of Rs.346.82m (Rs.339.19m) as per the tariff in force. The same has been recognized as revenue in the current year in accordance with the accounting policy of the company. An amount of Rs. 611.60 m (previous year Rs. 731.40 m) has been billed to BSNL towards usage of MTNL TAX.
 - c) In respect of Mumbai Unit during the year, an amount of Rs.2199.36 millions have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL and Rs. 89.79 million vice-versa.
 - d) In respect of Delhi Unit, claim receivables includes Rs.22.5 millions towards ADC charges receivable from certain operators accounted for on adhoc basis in the financial year 2007-08 and is subject to change on settlement/acceptance.
 - e) In respect of Mumbai Unit during the year, an amount of Rs.364.18 millions has been accounted as receivable from BSNL on account of Property Tax, Electricity, and water and fuel charges.
 - f) Delhi Unit during the year has accounted for Rs.611.95 millions including service tax toward interconnect charges for usage of TAX for carriage of traffic on the rates prescribed by TRAI in IUC regulations in the absence of any inter connect agreement with MTNL and BSNL. BSNL is also charging the same and the claims raised by both parties are under dispute.
 - g) In respect of intra circle calls for Mumbai Unit, carriage charges are computed with reference to leased lined and accounted. Entries have been passed accordingly for amount payable Rs.823.88 Millions (Rs.1676.95 millions) and amount receivable Rs.938.89 Millions (Rs.1202.33 millions).
10. (a) As per direction of the court, one UASL operator had deposited Rs.3412.74 million against the claim of the same amount. The company had recognized revenue of Rs.2367.90 millions in the year 2004-05 and Rs.1044.84 millions in the year 2005-06. The petition filed by UASL Operator before Hon'ble High Court, Delhi is dismissed as withdrawn with a liberty to the UASL operator to take steps in accordance with the Law. The matter is presently pending with the Hon'ble Court.
- (b) An amount of Rs. 160.67 million is receivable from the other operators towards infrastructure charges and port charges accounted in the year 2007-08 and is under litigation with TDSAT.
11. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to Rs.1000 Millions during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in 5 equal installments. Accordingly, five installments amounting to Rs. 200 millions each, aggregating to Rs.1000 Millions have become redeemable, which have not been redeemed by ITI Limited. As per letter No. U-59011-10/2002-FAC dated 31-7-2009 issued by DOT, the repayment schedule of the above cumulative preference shares was deferred to 2012-13 onwards in five equal annual installments. Moreover, no dividend income has been booked in the accounts for the same, as ITI Limited has not declared any dividend.
12. In respect of Mumbai Unit, the bank reconciliation statements as at 31st March, 2009 include unmatched/unlinked credits/ debits given by the banks in the Mumbai Unit's bank accounts amounting to Rs.55.25 million (Rs.56.00 m) and Rs. 63.23 million.(Rs.42.75m) respectively, which could not be properly accounted for in the absence of adequate particulars.
13. In respect of Mumbai MS Unit, sundry debtors as per billing system is Rs.697.9 millions (excluding service tax). Sundry Debtors as per WFMS is RS.694.2 millions (excluding service tax). Difference is



frozen to Rs0.37crores. Out of total sundry debtors of Rs.694.2 millions, an amount of Rs.92.8 millions is secured against the deposit available as on 31.03.2009.

14. a) Deposits from applicants and subscribers as on 31st March 1986 were Rs.1503.59 Millions as intimated provisionally by DOT. Corresponding assets shown under claims recoverable are being reduced by the amount of recovery of rebate on rental and by the amount of recovery of application deposit for which connections have been released to subscribers with effect from 1.4.1986. Balance still recoverable from DOT on this account is Rs. 558.45 Millions (Rs. 558.38 Millions).
- b) The balance in the Subscribers' Deposit Accounts of Rs. 8036.07 Millions (Rs. 8481.73 Millions) and Interest Accrued and Due thereon of Rs. 26.54 Millions (Rs. 29.48 Millions) is subject to reconciliation with the relevant subsidiary records.
- c) The aggregate balance of sundry debtors as per the subsidiary records is short by Rs.57.55 millions (Rs.74.21 millions) as compared to the balance in general ledger and under reconciliation. The resultant impact of the above on the account is not ascertainable.
15. a) Amount recoverable on current account from DOT is Rs. 31543.80 Millions (Rs. 30856.38 Millions) and amount payable is Rs. 658.69 Millions (Rs. 455.0 Millions). The net recoverable of Rs. 30885.11 Millions (Rs. 30401.38 Millions) is subject to reconciliation and confirmation.
- b) The amount recoverable from BSNL is Rs.16785.67 Millions (Rs.6036.89 Millions) and amount payable is Rs.2498.54 Millions (Rs.0.57 Millions). The Net recoverable of Rs. 14287.13 Millions (Rs.6036.32 Millions) is subject to reconciliation and confirmation.
16. a) Out of total provision of Gratuity of Rs. 8380.22 Millions up to 31.3.2009 (Rs. 6335.22 Millions), an amount of Rs. 1943.73 Millions and Rs. 665.40 Millions is recoverable from DOT, in respect of Group C & D and Group B employees respectively, for the period prior to their absorption. As on 31.03.2009 Rs. 5770.55 Millions is available with the Gratuity Trust.
- b) The total provision of Leave Encashment is Rs. 4306.23 Millions up to 31.3.2009 (Rs. 3196.69 Millions). Out of this, an amount of Rs. 816.18 Millions and Rs. 274.53Millions is recoverable, from DOT in respect of Group B and Group C & D employees respectively for the period prior to their absorption in MTNL.
- c) An amount of Rs. 11357.08 Millions (Rs. 9293.02 Millions) towards GPF contribution is recoverable from DOT as on 31.3.2009. The amount pertains to Group C& D and Group B employees absorbed in MTNL w.e.f. 01.11.98 and 01.10.2000, respectively.
- d) The total provision of Pension is Rs. 33486.60 Millions (Rs.28716.45 Millions) upto 31.3.2009. Out of this an amount of Rs. 7546.2 Millions and Rs. 2201.02 Millions is recoverable from DOT in respect of Group C&D and Group B employees for the period prior to their absorption.
17. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary hence no provision is made.
18. Certain claims of BSNL on account of Signaling charges Rs.219.30 millions, Transit tariff Rs.251.90 millions, MP Billing Rs.60.10 millions, IUC Rs.101.40 millions and IUC from Gujrat Circle Rs.11.14 millions are being reviewed. Pending settlement of similar other claims from BSNL, no provision is considered necessary.



19. The amount of receivables and payables (including NLD / ILD Roaming operators) is subject to confirmation and reconciliation. Pending such confirmation/ reconciliation, the impact on the account is not ascertainable at this stage.
20. Based on the expert opinion received by the company, the provision for Fringe Benefit Tax on service connections is not made.
21. In respect of Delhi Unit, CDMA exchanges of 100K & 50K have been decommissioned during the year by the management and necessary provision has been made for Rs.535.12 millions as loss of assets in accordance with accounting policy. The liability on this project amounting to Rs.470.11 millions (includes 8768405 US dollars) lying in the books for more than three years and not paid to vendor due to issue arising out of contract agreement, is not written back in view of pending arbitration case filed by vendor. The outstanding liability of Rs.413.3 millions (equivalent to 8768405 US dollars) is frozen due to the pending arbitration case.
22. The impact of 2nd pay revision(IDA) committee issued by Departmental of Public enterprises (DPC) issued vide order no. 2(70)/08-DPE(WC) of dated 26.11.2008 is subject to certain conditions. As on the company has not taken any decision in this matter. Pending finalization, the interim relief in the form of 50% DA merger with pay and arrears were drawn and are being paid accordingly w.e.f. 1.1.2007. The settlement of the pay revision is subject to settlement of issue of Pension payment to absorbed employees by government as per agreement reached between management and service associations. Decision for the same is pending, the liability on this account is not ascertainable and hence not provided.
23. A sum of Rs.131.25 millions accounted for as income in financial year 2007-08 being ADCC recoverable from Project Development Company (PDC) towards development of Core knowledge park at Noida is still outstanding. PDC has sought extension of drop dead date which is under examination.
24. In respect of accounting for billing of subscribers for Mobile services and collection made thereon, the GSM Mumbai unit has implemented computerized billing system and the financial entries for booking of income and debtors accounting have been incorporated in the books of accounts based on the output generated through computer system.
25. Pending final settlement, the following have not been accounted for :

	(Rs. In Million)	
	<u>2008-09</u>	<u>2007-08</u>
a) Customs Duty Refund Claims	53.21	53.21
b) Insurance Claims for damages due to floods	228.82	228.82
c) Insurance Claims for damages due to fire	-	16.51
d) Service Charges for 1992 issue of Directory.	0.59	0.59
e) Interest on advances for 1992 Directory	979.19	979.19
f) Property tax refund claimed from BMC	8.90	-



26. The other information under Para 4B and 4C of part II of schedule VI of the companies Act, 1956 is as under

a) Remuneration paid/payable to the Chairman & Managing Director(s) and Other Directors for the year ended 31st March 2009:-

	<u>For the Year ended 31.03.09</u>	<u>For the year ended 31.03.08</u>
i) Remuneration	5.07 Millions	5.08 Millions
ii) Perquisites	0.87 Millions	0.22 Millions
b) Remuneration to Auditors:		
<u>Statutory Auditors</u>	<u>(Rs. in Millions)</u>	<u>(Rs. in Millions)</u>
(i) As Audit Fee	0.56	0.56
(ii) Limited Review	0.24	0.22
(iii) Auditors Expenses	0.17	0.12
(iv) Out of pocket exps.	0.08	0.08
<u>Branch Auditors</u>	<u>(Rs. in Millions)</u>	<u>(Rs. in Millions)</u>
(i) As Audit Fee	1.91	1.90
(ii) As Limited Review	0.71	0.79
(iii) As Auditors Expenses	0.16	0.18
(iv) As Out of pocket exps.	0.17	0.17
(v) As MVAT Audit Fee	0.15	0.00
c) <u>Value of</u>		
i. Imports on CIF basis	NIL	NIL
ii. Others	NIL	NIL
d) Expenditure in Foreign Currencies	78.18	34.08
e) Earnings in Foreign Exchange	59.30	66.70
f) Gross Income from Services	44,559.99	47225.17

27. The balances with non-scheduled banks comprise of:

Sl. Name of the Bank No. and Branch	Balance as on balance 31st March, 2009	Maximum during the Year
	(Rs.)	(Rs.)
A. Patan Cooperative Bank Limited (account closed, considered doubtful)	27,634 (27,634)	27,634 (27,634)
B. Indira Sahakari Bank Limited (considered doubtful)	5,594,189 (5,594,189)	5,594,189 (5,594,189)
C. The Mogaveera Cooperative Bank Limited (account closed, considered doubtful)	35,445 (35,445)	35,445 (35,445)



28. There is no reported Micro, Small and Medium enterprise as defined in the Micro, Small and Medium enterprise development Act, 2006, to whom the company owes dues.
29. Additional information required under Paragraphs 3(x)(a) and 4D(c) of Part II of Schedule VI to the Companies Act 1956 is not ascertainable, since (i) consumption of stores is included under the normal heads of Capital Expenditure and/or Repairs & Maintenance, and (ii) the issue of imported and indigenous items are not separately priced/ identified.
30. In respect of Delhi Unit, A Claim has been lodged with Insurance Company amounting to Rs.76.32 millions due to comprehensively insured fixed assets lost in fire accident and consequently gross block of Rs.63.36 millions and accumulated depreciation of Rs.23.25 millions has been withdrawn pending settlement of the claim. The final adjustment in respect of difference between amount claimed and assets withdrawn will be made in the year of settlement of claim.
31. In respect of MS Delhi Unit, IUC Income and Expenditure from September 08 to March 09 has been accounted for on estimation basis based on average of actual from April 08 to August 08 due to non-processing of data for technical problems.
32. **Employee Benefits –AS-15 (R)**

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

a) Defined Contribution Plans	(Rs. In Million)
<u>Particulars</u>	<u>Amounts</u>
Employer Contribution to Provident Fund*	331.69
Leave Encashment Contribution for DOT employees**	6.57
Pension Contribution for DOT employees***	16.76

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

b) Defined Benefit Plans	(Rs. In Million)	
<u>Particulars</u>	<u>Gratuity*</u>	<u>Pension**</u>
Current Service Cost	290.40	1025.00
Interest Cost	530.00	2620.00
Expected Return on Plan Assets	(519.10)	-
Actuarial(gain)/loss	1749.00	(231.20)
Past Service Cost	-	-
Curtailment and Settlement Cost/(Credit)	-	-
Net Cost	2050.30	3413.80
Benefits paid during the year	(307.90)	(1378.50)

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

**Mentioned as Pension Contribution-Company employees.



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

Particulars	2008-09		2007-08	
	Gratuity	Pension	Gratuity	Pension
Discount Rate	8.50%	8.50%	8.25%	8.25%
Salary Escalation	4.00%	4.00%	5.00%	5.00%
Current				
Expected rate of Return on Plan Assets	8.00%	-	8.00%	-
Future increase in Pension	-	1.50%	-	4.00%

The discount rate of 8.50% which have taken for calculation of present value of obligation is based on the bench mark rate available on State Govt. Securities for the tenure of payment, future salary rise taken as 4% and future increase for pension has been taken as 1.5%

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

a) **Benefit obligations.**

(Rs. In Million)

<u>Particulars</u>	<u>Gratuity</u>	<u>Pension</u>
Projected benefit obligation at beginning of the year	6335.22	31451.30
Interest Cost	530.00	2620.00
Current Service Cost	290.40	1025.00
Past Service Cost	-	-
Benefit Paid	(307.90)	(1378.50)
Actuarial (Gain)/loss on obligations	1532.50	(231.20)
Projected benefit obligation at end of the year	8380.20	33486.60

b) **Plan Assets**

(Rs. In Million)

<u>Particulars</u>	<u>Gratuity</u>
Fair Value of plan assets at beginning of year	6335.22
Expected Return on Plan Assets	519.10
Contributions	307.90
Benefit Paid	(307.90)
Actuarial gain/(loss) on Plan Assets	(216.60)
Fair Value of Plan Assets at the end of the year	6637.80*
Actual return on plan assets	302.60
Total expenses recognized during the year	(1742.40)

* (excludes Rs.1914.10 millions recoverable from MTNL)



IV. Category of Investment in Gratuity trust as on 31.03.2009.

Particulars	(Rs. In Million)
	Amounts
Government of India Securities	1755.70
Corporate Bonds	1500.80
State Govt. Securities	605.47
Others	2775.80
Total	6637.80*

* (excludes Rs.1914.10 millions recoverable from MTNL)

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

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

VII. Bonus is a short term benefit and during the year company has charged Rs.526.44 Millions as expenses and balance outstanding as on 31.03.09 is Rs.442.90 Millions.

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

34. Information regarding Primary Business Segments: - AS 17

		(Rs. in Million)	
S.No	Particulars	Year Ended 31.3.2009 (Audited)	Year Ended 31.3.2008 (Audited)
1	<u>Income from Services</u>		
	Basic & Other Services	36,922.62	39,959.21
	Cellular	8,471.15	8,821.91
	Unallocable		
	Total	45,393.77	48,781.12
	Less: Inter Unit Income	833.78	1555.93
	Net Income From Services	44,559.99	47,225.19
2	<u>Segment result before interest and tax</u>		
	Basic & Other Services	-1,578.18	2581.86
	Cellular	1,794.00	2327.1
	Unallocable	2,433.63	1435.35
	Total	2,649.45	6344.31



	Less: Interest	11.53	27.82
	Less: Prior period Items	-2,496.78	-1,800.74
	Profit before tax	5,134.70	8117.23
	Less: Provision for Tax	954.59	2,248.31
	Less: Prior period Tax	2,062.94	-
	Profit after tax	2,117.17	5,868.92
3	Capital Employed (Segment Assets - Segment Liabilities)		
	Basic & Other Services	35,826.82	41,716.47
	Cellular	7,160.33	5,832.09
	Unallocable	80,192.59	70,810.39
	Total	1,23,179.74	118,358.95

Notes: -

1. The company has disclosed Business Segment as the Primary Segment. Segments have been identified taking into account the nature of the services, the deferring risks and returns, the organisational structure and internal reporting system.
2. The company caters mainly to the needs of the two metro cities viz. Delhi and Mumbai, wherein the risk and return are not different to each other. As such there are no reportable geographical segments.
3. Segment Revenue, Segment Result, Segment Asset and Segment Liabilities include the respective amount identifiable to each of the segments. The expenses, which are not directly relatable to the business segment, are shown as unallocable corporate assets and liabilities respectively.

a) List of Related Parties and Relationships

Party

Department of Telecommunication
Millennium Telecom Limited
Mahanagar Telecom Mauritius Ltd.
United Telecom Limited
MTNL STPI IT Services Ltd.

Relation

Holding 56.25% shares of the Company
Wholly owned Subsidiary
Wholly owned Subsidiary
Joint Venture
Joint Venture

Key Management Personnel

Mr. R. S. P. Sinha
Mr. Kuldip Singh
Mrs. Anita Soni
Mr. S.P. Pachauri
Mr. K. C. Gupta (Part of the year)
Mr. A. K. Arora (Part of the year)
Mr. S.M. Talwar (Part of the year)
Mr. Manjit Singh (Part of the year)
Mr. J. Gopal

Chairman & Managing Director
Director (Technical)
Director (Finance)
Director (HR)
Executive Director (Operation)
Executive Director, Delhi
Executive Director, Delhi
Executive Director, Delhi
Executive Director, Mumbai



(Rs. in Million)

b) Related Party Transactions

(Except DOT)

Transactions	Subsidiary	Joint Venture	Key Management Personnel
Guarantees	-	-	-
Unsecured Loan	-	NIL	NIL
Remuneration Paid	-	-	5.94
Loans & Advances	0.50	0.50	-
Others	90.43	3.75	-

36. Earning Per Share – AS – 20

1) Profit after Tax	Rs. 2,117.17 Millions
2) Number of Shares	630 Millions
3) Nominal value of shares	Rs. 10/-
4) Basic/ diluted EPS	Rs. 3.36

37. Consolidated Financial Statements – AS - 21 & AS – 27

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

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

39. Balance Sheet Abstract and Company's General Business Profile – PART IV

(i) Registration Details

Registration No.	23501	State Code	55
Balance Sheet Date	Date	Month	Year
	31	03	2009

(ii) Capital raised during the year (Rs. in Million)

Public Issue(GDR)	Nil	Rights Issue	Nil
Bonds Issue	Nil		



(III) **Position of Mobilisation and Deployment of Funds (Rs. in Million)**

Total Liabilities	124147	Total Assets	124147
Sources of Funds:			
Paid up Capital	6300	Reserves & Surplus	114294
Secured Loans	NIL	Unsecured Loans	NIL
Deferred Tax Liability	3553		
Application of Funds:			
Net fixed assets + Capital WIP	72343	Investment	4651
Net Current Assets	46186	Misc. Expenditure	967
Accumulated Losses	NIL		

iv) **Performance of Company (Rs. in Million)**

Turnover	52503	Total Expenditure.	49865
Profit before Tax	2638	Profit After Tax	2117
Earning per share in Rs.	3.36	Dividend Rate	10%

v) **Generic names of three Principal Product/services of Company (as per monetary terms)**

Item Code No. **NOT AVAILABLE**

(ITC Code)

Product Description **TELEPHONE SERVICE**

Item Code No. **NOT AVAILABLE**

(ITC Code)

Product Description **TELEX**

Item Code No. **NOT AVAILABLE**


(ITC Code)


Product Description **CIRCUITS**

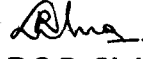


40. Previous year figures have been regrouped / recast to confirm to current year's presentation. Amounts in brackets represent the previous year's figures.
41. Schedules "A" to "T" form an integral part of the Balance Sheet and the Profit and Loss Account.

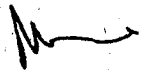

(S.R. Sayal)
Company Secretary


(R. C. Sen)
Jt. G.M. (Accounts)


(Anita Soni)
Director (Finance)


(R.S.P. Sinha)
Chairman &
Managing Director

For Bansal Sinha & Co.
Chartered Accountants


Ravinder Khullar
(Partner)
Membership No. 82928

Place : New Delhi
Date : 1st August, 2009



Annexure-I

MAHANAGAR TELEPHONE NIGAM LIMITED
Cash Flow Statement for the year ended 31st March 2009
[Pursuant to Clause 32 of Listing Agreement(s) as (amended)]

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
A. <u>Cash Flow from Operating Activities</u>		
Net profit before Tax and extra ordinary items	2637.92	6316.49
Adjustment for:		
Prior period adjustment (net)	449.41	1851.20
Profit on sale of fixed assets	-19.93	-26.11
Loss on sale of fixed assets	686.65	443.51
Depreciation	6988.47	7040.60
Compensation charged under VRS Scheme	625.11	625.19
Compensation paid under VRS Scheme	-0.31	-0.38
Interest Cost	11.53	27.82
Interest Income	-6662.99	-4137.50
Interest paid	-8.19	-28.55
Operating cash profit before working capital changes	4707.67	12112.27
Adjustment for:		
Trade and other receivables	2900.91	-79.91
Inventories	-305.64	605.74
Trade and other payables	8403.46	3033.09
Cash generated from operations	15706.42	15671.19
Direct Taxes paid	-81.95	9206.86
Net Cash Flow from Operating Activities	15624.47	24878.05
B. <u>Cash Flow from Investing Activities</u>		
Purchase of fixed assets (including capital W.I.P.)	-8127.29	-8656.56
Sale of Fixed Assets	961.22	-19.22
Interest received	5690.05	2912.49
Investment	923.01	-1159.90
Net Cash Flow from Investing Activities	-553.02	-6923.20



C. Cash Flow from Financing Activities

Repayment of Loans	0.00	0.00
Dividend paid (including tax)	-737.07	-2948.27
Net Cash Flow from Financing Activities	-737.07	-2948.27


D. Net Increase/Decrease in Cash and Cash Equivalents

	14334.38	15006.58
Cash and Cash equivalent as at the beginning of the year	33693.60	18687.02
Cash and Cash equivalent as at the end of the year	48027.98	33693.60


Note:-

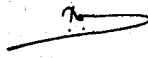
1. Previous year figures have been regrouped wherever necessary

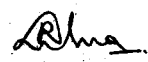
For Bansal Sinha & Co.
Chartered Accountants


(Ravinder Khullar)
(Partner)


(S.R. Sayal)
Company Secretary


(Anita Soni)
Director (Finance)


(R.C. Sen)
Jt. General Manager (Accounts)


(R.S.P. Sinha)
Chairman & Managing Director

M.No: 082928

Place : New Delhi

Date : 1st Aug, 2009



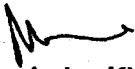
**Consolidated Balance Sheet of Mahanagar Telephone Nigam Limited
As at 31st March, 2009**

		As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.In Million)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	6,300.00	6,300.00
Reserves & Surplus	2	114,061.22	112,698.61
Loan Funds			
Secured Loans	3	136.89	106.17
Deferred Tax Liability (Net)	4	3,528.75	4,849.96
Total		124,026.86	123,954.74
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	164,045.60	159,386.79
Less : Depreciation		100,417.91	95,451.92
Net Block		63,627.70	63,934.87
Capital Work-in-Progress			
Investments	6	9,504.78	9,694.15
	7	3,500.00	4,516.68
Current Assets, Loans & Advances			
Inventories	8	1,920.42	1,629.27
Sundry Debtors	9	8,101.90	9,670.91
Cash & Bank Balances	10	48,174.47	33,823.34
Other Current Assets	11	3,431.22	2,385.94
Loans & Advances	12	95,412.69	94,563.16
		157,040.71	142,072.62
Less : Current Liabilities and Provisions			
Current Liabilities	13	48,713.41	43,403.84
Provisions	14	61,935.14	54,493.11
		110,648.55	97,896.95
Net Current Assets		46,392.16	44,175.67
Miscellaneous Expenditure (to the extent not written off)		1,002.22	1,633.37
Total		124,026.86	123,954.74

The Schedules referred to above form an integral part of the Balance Sheet.

In terms of our report of even date

For Bansal Sinha & Co.
Chartered Accountants



(Ravinder Khullar)
(Partner)

M.No: 082928

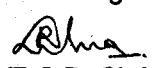
Place : New Delhi

Date : 1st Aug, 2009


(S.R. Sayal)
Company Secretary


(Anita Soni)
Director (Finance)


(R.C. Sen)
Jt. General Manager (Accounts)


(R.S.P. Sinha)
Chairman & Managing Director



**Consolidated Profit and Loss of Mahanagar Telephone Nigam Limited
For the year ended 31st March, 2009**

		As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
INCOME			
Income from Services	15	44,962.22	47,672.36
Other Income	16	7,933.18	6,083.31
		<u>52,895.39</u>	<u>53,755.67</u>
EXPENDITURE			
Employees' Remuneration and Benefits	17	21,296.44	16,447.00
Revenue Sharing		7,587.97	8,127.70
Licence Fee		4,321.31	4,245.98
Administrative, Operating & Other Expenses	18	9,987.88	11,635.03
Depreciation	5	7,098.17	7,132.30
Interest	19	32.06	44.15
		<u>50,323.83</u>	<u>47,632.16</u>
Profit Before Tax		<u>2,571.56</u>	<u>6,123.51</u>
Provision for Taxation		2,256.50	3,599.86
Provision for Deffered taxation		<u>(1,311.08)</u>	<u>(1,339.63)</u>
Profit After Tax		<u>1,626.15</u>	<u>3,863.28</u>
Prior period adjustments	20	<u>(2,496.54)</u>	<u>(1,800.74)</u>
Prior Period Tax		<u>2,062.94</u>	-
Profit For the Year		<u>2,059.75</u>	<u>5,664.02</u>
Profit Available for Appropriation		<u>2,059.75</u>	<u>5,664.02</u>
Appropriation :			
Interim/Final dividend		630.00	2,520.00
Tax on Dividend		107.07	428.27
General Reserve		<u>1,322.68</u>	<u>2,715.75</u>
		<u>2,059.75</u>	<u>5,664.02</u>
Earning Per Share			
Basic/Diluted earnings per share (in Rs.)		3.27	8.99

Accounting Policies & Notes to Accounts 21

The Schedules referred to above form an integral part of the Profit & Loss Account. In terms of our report of even date

For Bansal Sinha & Co.
Chartered Accountants

(S.R. Sayal)
Company Secretary

(R.C. Sen)
Jt. General Manager (Accounts)

(Ravinder Khullar)
(Partner)
M.No: 082928

(Anita Soni)
Director (Finance)

(R.S.P. Sinha)
Chairman & Managing Director

Place : New Delhi
Date : 1st Aug, 2009



SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2009
SCHEDULE - 1

Share Capital

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of Rs.10/- each	<u>8,000.00</u>	<u>8,000.00</u>
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Fully paid Equity Shares of Rs. 10/- each	<u>6,300.00</u>	<u>6,300.00</u>
Out of the above shares		
(i) 59,99,98,400 Equity Shares are allotted as fully paid up pursuant to a contract without payment being received in cash out of which 35,43,72,740 Shares are held by the Government of India		
(ii) 3,00,00,000 Equity Shares are allotted as fully paid up represented by Global Depository Receipts (GDRs) through an International Offering in US Dollars. One GDR represented two equity shares. In Nov, 2001 the GDRs were exchanged in American Depository Shares (ADSs) on a one-for-one basis. One ADS also represents two of our equity shares.		
	<u>6,300.00</u>	<u>6,300.00</u>

SCHEDULE - 2

Reserves & Surplus

	As at 1.4.2008 (Rs in Million)	Addition during the year (Rs in Million)	Deduction during the year (Rs in Million)	As at 31.3.2009 (Rs in Million)
Share Premium	6,650.05	-	-	6,650.05
Share Premium(Prev.Yr)	(6,650.05)	(0)	(0)	(6,650.05)
General Reserve	91,499.72	6,497.61	-	97,997.33
General Reserve(Prev.Yr)	(93,639.14)	(2,715.75)	(4,855.17)	(91,499.72)
Reserve For Contingencies	14,240.84	-	5,135.00	9,105.84
Reserve For Contingencies(Prev.Yr)	(9,129.34)	(5,111.50)	-	(14,240.84)
Reserve For Research & Development	308.00	-	-	308.00
Reserve For Research & Development(Prev.Yr)	(308.00)	-	(0)	(308.00)
TOTAL	<u>112,698.61</u>	<u>6,497.61</u>	<u>5,135.00</u>	<u>114,061.22</u>
Previous Year	(109,726.53)	(7,827.25)	(4,855.17)	(112,698.61)



SCHEDULE - 3

Secured Loans

	As at 31.3.2009 (Rs. in Million)	As at 31.3.2008 (Rs. in Million)
Term Loan	136.89	106.17
	<u>136.89</u>	<u>106.17</u>

SCHEDULE - 4

Deferred Tax Liability (Net)

	Deferred Tax Liability (Asset) As at 1.04.2008 (Rs. in Million)	Current Year Charge/(Credit) (Rs. in Million)	Deferred Tax Liability (Asset) As at 1.04.2009 (Rs. in Million)
Deferred Tax Liabilities			
Difference between Book, Tax Depreciation & others	13,151.76	(212.82)	12,938.94
Difference between Book, Tax Depreciation & others(Prev.Yr)	(13,502.00)	(-350.24)	(13,151.76)
Total - A	<u>13,151.76</u>	<u>(212.82)</u>	<u>12,938.94</u>
	(13,502.00)	(-350.24)	(13,151.76)
Deferred Tax Assets			
Provision for Doubtful Debts, Advances and Bank Balances	-3913.29	-252.55	-4165.84
Provision for Doubtful Debts, Advances and Bank Balances (Prev.Yr)	(-3491.86)	(-421.43)	(-3913.29)
Provision for Obsolete Stock	-275.16	-6.38	(281.54)
Provision for Obsolete Stock(Prev.Yr)	(-231.58)	(-43.58)	(-275.16)
Others	-4113.35	-850.62	-4962.81
Others(Prev.Yr)	(-3596.82)	(-517.69)	(-4113.35)
Total - B	<u>-8301.80</u>	<u>(1,109.55)</u>	<u>-9410.19</u>
	(-7320.26)	(-982.70)	(-8301.80)
Deferred Tax Liability (A - B)	<u>4,849.96</u>	<u>(1,322.37)</u>	<u>3,528.75</u>
Previous Year	(6,181.74)	(1,332.94)	(4,849.96)

SCHEDULE - 5 : FIXED ASSETS

DESCRIPTION	AS AT 1.4.2008	GROSS BLOCK (RS IN MILLION)				DEPRECIATION (RS. IN MILLION)				NET BLOCK (RS IN MILLION)	
		ADDITIONS DURING THE YEAR	ADJUSTMENTS DURING THE YEAR	SALES DURING THE YEAR	AS AT 31.3.2009	AS AT 1.4.2008	FOR THE YEAR	SALES/ ADJUSTMENTS DURING THE YEAR	AS AT 31.3.2009	AS AT 31.3.2009	AS AT 31.3.2009
INTANGIBLE ASSETS:-											
APPLICATION SOFTWARE	410.24	19.82	-	-	430.05	79.63	41.50	-	121.13	308.93	330.61
LAND:											
FREEHOLD	190.48	-	-	-	190.48	-	-	-	-	190.48	190.48
LEASEHOLD	2,717.09	65.84	-	-	2,782.93	303.88	30.05	-	333.93	2,449.00	2,413.21
BUILDING	11,396.14	892.49	-	-	12,088.63	2,857.65	402.03	1.17	3,258.52	8,830.11	8,538.49
LEASED PREMISES	37.85	15.06	-	-	52.92	7.12	1.13	-	8.25	44.67	30.73
LINES & WIRES	868.73	49.07	-	-	917.80	585.83	24.17	(0.04)	610.04	307.76	282.89
CABLE	69,240.70	693.38	17.30	44.07	69,872.71	45,845.99	2,013.75	83.59	47,776.15	22,096.56	23,394.71
APPARATUS & PLANT	69,182.30	5,591.36	1,875.30	1,812.27	71,066.09	42,370.77	4,293.84	2,061.21	44,603.40	26,482.69	26,811.52
VEHICLES	317.39	5.21	1.86	0.78	319.97	234.42	21.12	2.31	253.23	66.74	82.97
FURNITURE & FIXTURES	1,342.86	78.64	-	0.01	1,421.49	872.32	82.91	0.01	935.23	486.26	470.54
OFFICE MACHINERY & EQUIPMENTS	369.90	4.12	1.71	-	372.31	195.63	15.13	0.66	210.09	162.22	174.27
ELECTRICAL APPLIANCES	1,358.64	28.69	(0.44)	-	1,387.77	572.61	44.24	(29.53)	634.49	753.28	786.02
COMPUTERS	2,078.77	803.51	1.48	5.09	2,875.71	1,526.00	153.42	6.16	1,673.26	1,202.45	552.76
ASSETS SCRAPPED/ DECOMMISSIONED	(126.51)	870.37	499.18	-	244.69	-	-	-	-	244.69	(126.51)
TOTAL	159,386.78	8,917.60	2,396.38	1,862.40	164,045.61	95,451.92	7,103.43	2,125.54	100,417.91	63,627.70	63,934.87
Previous Year	153,773.43	7,277.05	1,659.58	4.11	159,386.79	89,005.36	7,187.16	740.60	95,451.92	63,934.87	-

Notes

1. Additions during the year include adjustments on account of value difference, spill over cost, etc identified during the year in respect of existing fixed assets

2. Depreciation charged during the year includes:

Rs.in.Million

a. Depreciation for the year

7,098.17

b. Depreciation /adjustment relating to prior period

15.57

c. Depreciation written back

7103.43





SCHEDULE - 6

Capital Work-In- Progress

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Buildings	390.54	407.16
Apparatus & Plants	6,871.97	7,567.63
Lines & Wires	23.85	12.42
Cables	1,880.76	1,461.47
Subscribers' Installations	131.08	139.38
Air Conditioning Plants	222.96	124.28
Less:- Provision For Abandoned Works	(16.38)	(18.19)
	<u>9,504.78</u>	<u>9,694.15</u>

SCHEDULE - 7

Investments

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Long Term-Non Trade (At Cost)		
Investment in 10000000 8.75% Un Quoted preference share of Rs. 100/- each fully paid up with M/s. ITI Ltd.(Refer Note No.12)	1,000.00	1,000.00
Others		
Investment in LIC (MF)	-	508.58
Investment in UTI (MF)	-	508.10
Investment in Un Quoted 11.5% Bonds fully paid up of Maharashtra Krishna Valley Development Corporation Ltd.	2,500.00	2,500.00
(Redemption in the Year 2012)	<u>3,500.00</u>	<u>4,516.68</u>



SCHEDULE - 8

Inventories (At Cost)

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.In Million)
Stores and Spares:		
Building Material	0.46	0.62
Lines & Wires	47.61	87.73
Cables	1,083.27	1,046.64
Exchange Equipments	617.89	396.75
WLL Equipments	12.93	7.86
Telephone & Telex instruments	273.34	169.32
WLL Instruments	181.85	203.44
Telephones & Telex Spares	2.80	2.79
Installation Test Equipments	0.32	0.42
Store - in -Transit	-	0.10
Mobile Handsets & Sim Cards	13.69	17.54
	2,234.16	1,933.21
Less: Provision for obsolete stores	313.74	303.94
	1,920.42	1,629.27

SCHEDULE - 9

Sundry Debtors (Unsecured)*

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.in Million)
Outstanding for a Period Exceeding Six Months		
Considered Good	3,492.47	3,442.26
Considered Doubtful	5,056.13	4,202.36
Other Debts		
#Considered Good	1,424.06	6,154.47
Considered Doubtful	-	39.48
	12,900.16	13,838.57
Less: Provision for doubtful debts	4,785.29	4,151.32
Less: Provision for wrong billing	12.97	16.34
	8,101.90	9,670.91

For the current year, debtors exceeding Six months, considered good & doubtful includes service tax of Rs.494.15 Millions (Rs355.01Millions) & Rs.739.48 Millions (Rs.454.76 Millions) respectively. Other debtors considered good include service tax of Rs.246.30 Millions(Rs.416.08Millions).

*Except to the extent covered by security deposit from subscribers.



SCHEDULE - 10

Cash & Bank Balances

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Cash in hand, Including cheques in hand Rs. 23.98 Millions (Rs 40.87 Millions)	54.49	65.41
Balance with scheduled Banks		
In Current Accounts	1,301.22	1,308.35
In Fixed Deposit Accounts	46,820.63	32,449.94
 Balance with Non-Scheduled Banks		
In Current Account (Refer Note -28)	5.66	5.66
	48,180.19	33,829.06
 Less: Provision for Doubtful Bank Balances	5.72	5.72
	48,174.47	33,823.34

SCHEDULE - 11

Other Current Assets Unsecured Considered Good

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Interest Accrued on Deposits with Banks,	2,309.31	1,340.93
Interest Accrued on Bonds	192.19	192.19
Income Accrued From other Deposits & Loans & Advances	929.72	852.83
Cheque in transit with other bank	-	4.21
	3,431.22	2,385.94



SCHEDULE - 12

Loan & Advances

Unsecured Considered Good*

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Loans & Advances		
Secured Loans		
Housing Loan To Employees	1,561.24	1,808.00
Un Secured Loans (Considered good, unless otherwise stated)		
(1) To Other Corporates	826.26	908.09
(2) To Employees		
i) Vehicles	51.72	38.58
ii) Others	148.06	122.07
Amount Recoverable from DOT	31,543.80	30,856.38
Amount Recoverable from BSNL	16,785.67	6,036.89
Amount Recoverable from VSNL	-	3.42
Advances Recoverable in Cash or in Kind or for value to be received.	7,383.62	17,137.54
Advance to JV Co (MTNLSTPI IT Services Ltd)	0.53	-
Advance Tax	34,193.29	32,059.42
Deposits with Govt. Deptt.	446.19	476.86
Capital Advance	152.14	167.12
Amount Recoverable from GRF Trust	836.37	886.65
Others	2,002.24	4,624.07
	95,931.13	95,125.09
Less: Provision for Doubtful Advances	518.44	561.93
	95,412.69	94,563.16

* Except to the extent of doubtful advances recoverable in cash or in kind or for value to be received for which provision has been made.



SCHEDULE - 13

Current Liabilities

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Sundry Creditors		
(i) For Goods and Services	6,855.66	6,485.44
(ii) For Work done	3,470.54	4,243.58
(iii) For Others	1,789.52	1,440.47
Advances Received from Customers & Others	415.95	405.50
Deposits from :		
(i) Contractors	345.10	367.49
(ii) Customers & Others	9,308.41	9,914.12
Unclaimed Bonds	0.06	0.06
Other Liabilities		
(i) For Salaries and Other Benefits	618.44	992.79
(ii) Bonus/ Ex-Gratia	442.90	390.00
(iii) GPF of MTNL optee	10,877.90	10,094.87
(iv) Others	10,324.21	6,464.79
Income Received in advance against services	554.83	1,476.85
Amount Payable:		
(i) To DOT	658.69	455.00
(ii) To BSNL	2,498.54	0.57
(iii) To VSNL	27.48	18.72
(iv) To Subsidiary	6.37	6.37
(v) To Others	516.99	644.50
Interest Accrued but not due :		
(i) On Deposits	1.81	2.72
	48,713.41	43,403.84

SCHEDULE - 14

Provisions

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Pension		
(i) Company Employees	33,486.60	31,451.29
(ii) Others	127.12	122.99
Leave Encashment		
(i) Company Employees	4,306.23	3,196.70
(ii) Others	6.51	12.56
Gratuity	2,609.66	2,609.66
Proposed Final Dividend	630.00	630.00
Tax on Dividend	107.07	107.07
Income Tax	20,369.59	16,129.71
Fringe Benefit tax	257.57	189.85
Wealth Tax	12.22	9.83
Others	22.57	33.46
	61,935.14	54,493.11



SCHEDULES FORMING PART OF CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2009

SCHEDULE - 15

Income from Services

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.In Million)
<u>Telephone</u>		
(a) Rentals	10,382.79	10,999.55
(b) Calls & Other Charges	9,977.94	12,710.58
(c) Franchises Services	2,290.97	3,991.54
(d) Rent & Junction Charges		
(i) Mobile Operators	3,211.08	1,133.02
(e) Access Calls & Other Charges		
(i) Basic Service Operators	3,304.03	3,657.92
VCC	204.10	355.75
Internet	210.57	139.39
Telex	-	0.19
Circuits	634.16	480.73
WLL Rent	411.99	571.31
WLL Call Charges	247.38	445.82
<u>Mobile</u>		
(a) Rentals, calls & IUC revenue	2,552.03	2,411.55
(b) Income from Roaming	1,492.05	1,513.54
(c) PSTN Charges	-	-
(d) Pre paid Trump	4,137.22	4,420.11
(e) Activation Charges	12.07	34.53
Broadband	4,474.65	3,358.73
<u>Value added and Other Services</u>		
(a) Indonet	0.26	1.22
(b) Voice Mail	176.25	193.73
(c) Free Phone	169.07	193.28
(d) Premium Rate	0.72	0.66
(e) ISDN - Rental	403.48	352.44
(f) ISDN - Call Charges	539.73	572.81
(g) VOIP Services	10.85	-
Others	118.81	133.97
	44,962.22	47,672.36



SCHEDULE - 16

Other Income

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Interest		
(i) From Banks (Tax deducted at source Rs.1123.17 Millions (Rs. 602.89 Millions)	4,755.65	2,620.51
(ii) Interest on Advances to Employees	128.64	108.82
(iii) Interest on Deposits, Advances and Others	360.93	313.51
(iv) Interest from Income Tax Department	1,425.70	1,100.18
Dividend from Mutual Fund	79.45	17.19
Sale of Directories, Publications, Forms etc.	10.27	22.54
Profit on Sale of Assets	19.93	26.11
Liquidated Damages	333.78	316.68
Foreign Currency Fluctuation	(73.39)	-
Bad Debts Recovered	29.09	62.07
Credit Balances Written Back	510.17	320.43
and other services provided	66.87	62.19
Others	286.09	1,113.09
	7,933.18	6,083.31

SCHEDULE - 17

Employees' Remuneration and Benefits

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Salaries, Wages, Allowances and other Benefits	15,375.28	12,054.73
Bonus/ Ex-Gratia	526.44	474.16
Medical Expenses/Allowances	1,014.48	926.84
Leave Encashment		
(i) Company Employees	1,243.80	631.26
(ii) Others	6.57	7.30
Pension Contribution		
(i) Company Employees	3,413.18	4,032.86
(ii) Others	16.76	12.36
Contribution to Provident Fund	331.69	265.22
Gratuity	2,223.30	(165.17)
Compensation under VRS Scheme	625.11	625.19
Staff Welfare Expenses	47.46	126.47
	24,824.00	18,991.22
Less :		
Allocation to Capital Work-In-Progress	3,527.56	2,544.22
	21,296.44	16,447.00



SCHEDULE - 18

Administrative, Operating and Other Expenses

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Power & Fuel	1,851.05	1,898.12
Rent	655.51	618.98
<u>Repairs & Maintenance:</u>		
- Buildings	152.91	153.91
- Plant & Machinery	1,000.16	936.20
- Others	440.89	486.89
Insurance	36.61	37.30
Rates & Taxes	314.27	362.96
Travelling Expenses	38.19	43.41
Postage & Courier	142.48	172.64
Printing & Stationery	143.10	152.05
<u>Vehicle Expenses:</u>		
(i) Maintenance	15.95	14.05
(ii) Running	36.01	35.12
(iii) Hiring	98.10	93.10
Commission paid on Franchised Services	1,325.16	1,895.38
Comm. Paid to pre paid services	3.40	7.23
Advertising/Business Promotion Expenses	431.15	359.34
Provision for Doubtful Debts including	11.19	11.10
Disputed Bills	741.76	1,238.59
Provision for Wrong Billing	1.26	1.28
Bad Debts Written Off	52.31	59.77
Provision for Obsolete Stores	18.78	128.22
Professional & Consultancy Charges	94.12	107.35
Seminar and Training Expenses	15.59	12.64
Miscellaneous Expenses	813.69	959.19
Loss on Sale of Assets	686.65	443.51
Internet charges	314.45	609.29
Spectrum Charges(WLL)	10.28	17.62
Spectrum Charges(MS)	306.80	338.81
Loss of Assets	535.60	440.98
	10,297.42	11,635.02
Less : Allocation Capital WIP	309.54	210.06
	9,992.24	11,635.03



SCHEDULE - 19

Interest :

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Interest on :		
Customers' deposits	10.82	15.82
GPF	-	0.02
Other Loans	21.24	28.31
	<u>32.06</u>	<u>44.15</u>

SCHEDULE - 20

Prior Period Adjustments

	As at 31.3.2009 (Rs.in Million)	As at 31.3.2008 (Rs.in Million)
Expenses		
Power & Fuel	-	0.01
Rates & Taxes	-	13.02
Repairs to Plant & Machinery	31.47	2.00
Depreciation	15.57	51.04
Others (Current year income tax 57.87 Million) “(Previous Year includes includes Tax Rs. 671.37 Millions)”	60.05	748.87
	<u>107.49</u>	<u>814.94</u>
Income		
Income From Telephone	2.96	-
Excess provision written back (Income Tax)	-	2,526.53
Interest on Income Tax Refund	2,536.44	-
Others	62.73	89.15
Rate & Taxes written back	1.17	-
	<u>2,603.30</u>	<u>2,615.68</u>
Net Adjustment	<u>(2,495.81)</u>	<u>(1,800.74)</u>

Note:

- Consolidated Figures includes Provisional figures of United Telecom Ltd as their financial year ends on 16th July, Millenium Telecom Ltd and MTNL STPI IT Ltd.



Annexure-I

MAHANAGAR TELEPHONE NIGAM LIMITED
Consolidated Cash Flow Statement for the year ended 31st March 2009
[Pursuant to Clause 32 of Listing Agreement(s) as (amended)]

	As at 31.3.2009 (Rs.In Million)	As at 31.3.2008 (Rs.in Million)
A. Cash Flow from Operating Activities		
Net profit before Tax and extra ordinary items	2,571.56	6,333.61
Adjustment for:		
Prior period adjustment (net)	449.41	1,851.20
Profit on sale of fixed assets	(19.93)	(26.11)
Loss on sale of fixed assets	686.65	443.51
Depreciation	7,098.17	7,132.30
Compensation charged under VRS Scheme	625.11	625.19
Compensation paid under VRS Scheme	(0.31)	(0.38)
Interest Cost	11.53	27.82
Interest Income	(6,662.99)	(4,137.50)
Interest paid	(8.19)	(28.55)
Amortisation & Other non cash items	13.22	3.46
Operating cash profit before working capital changes	4,764.24	12,224.55
Adjustment for:		
Trade and other receivables	2,771.47	(113.62)
Inventories	(320.12)	600.80
Trade and other payables	8,436.50	2,929.30
Cash generated from operations	15,652.10	15,641.02
Direct Taxes paid	(70.91)	9,225.84
Net Cash Flow from Operating Activities	15,581.19	24,866.86
B. Cash Flow from Investing Activities		
Purchase of fixed assets (including capital W.I.P.)	(8,233.04)	(8,884.85)
Sale of Fixed Assets	961.22	73.16
Interest received	5,690.05	2,912.49
Investment	923.01	(1,162.45)
Net Cash Flow from Investing Activities	(658.76)	(7,061.66)



C. Cash Flow from Financing Activities

Repayment of Loans	30.72	(33.91)
Dividend paid (including tax)	(737.07)	(2,948.27)
Loan/Share Capital	136.87	205.53
Net Cash Flow from Financing Activities	(569.48)	(2,776.65)

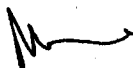
D. Net Increase/Decrease in Cash and Cash Equivalents

	14,352.95	15,028.55
Cash and Cash equivalent as at the beginning of the year	33,823.34	18,796.61
Cash and cash equivalent as at the end of the year	48,174.47	33,823.34


Note:-

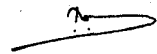
1. Previous year figures have been regrouped wherever necessary

For Bansal Sinha & Co.
Chartered Accountants


(Ravinder Khullar)
(Partner)


(S.R. Sayal)
Company Secretary


(Anita Soni)
Director (Finance)


(R.C. Sen)
Jt. General Manager (Accounts)


(R.S.P. Sinha)
Chairman & Managing Director

M.No: 082928

Place : New Delhi

Date : 1st Aug, 2009



ANNEXURE TO DIRECTOR'S REPORT

Addendum to Director's Report 2008-09

Replies of Management to Auditors Report with regard to qualifications for the year 2008-09

Auditors Report

Reply of the Management

- 1) Claim of the company for deduction under section 80IA of the Income Tax Act, 1961 pending at various appellate authorities. We are unable to comment on the impact as the outcome of these cases is not ascertainable at this stage.**

The matter is pending before concerned authorities and is being pursued for settlement.
- 2) The issue of pension, gratuity and leave encashment liability on account of absorbed employees is yet to be settled with the DOT which may have substantial favourable impact on the profitability of the company. (Refer Note No. 16)**

The management has taken up the matter with the administrative ministry.
- 3) Non Implementation of II wage revision due to pending pension issue with the DOT. We are unable to comment on the impact of the same on the accounts of the company.**

This is under review by the management. However the impact of 50% DA merger, which is an interim measure has already been accounted for.
- 4) The amounts recoverable from DOT and BSNL are subject to reconciliation and confirmation and in view of various pending disputes regarding each other's claims we are unable to comment on the impact of the same on the profitability of the company.**

A committee has been constituted by BSNL by mutual agreement vide letter no 16-56/2001-PHA-(1) dated 25-04-2009 consisting of officers of both MTNL and BSNL to reconcile the differences. Management has taken up the matter of DOT related reconciliation with the Administrative Ministry.
- 5) The Delhi mobile service Unit has not made provision in the accounts for the balance of Rs 141.75 millions outstanding for more than 3 years in respect of dues from operators. Thus, the profit of the company is overstated by Rs. 141.75 millions and Claims Recoverable have been overstated by the same amount.**

As per significant accounting policy of the company no provision is required to be made in respect of dues from operators as the outstanding amount is being pursued with them for settlement and there are ongoing transactions with most of them.



- 6) **The Delhi Unit has not made provision in the accounts for the balance of Rs 24.14 millions outstanding for more than 3 years in respect of dues from operators. Thus, the loss of the company is understated by Rs. 24.14 millions and debtors have been overstated by the same amount.** As per significant accounting policy no provision is made with respect to dues from operators as the outstanding is being pursued with them for settlement and there are ongoing transactions with most of them.
- 7) **Non provision of certain claims of the BSNL on account of signalling charges, Transit tariff, MP Bills, IUC Claims and IUC claims of MTNL rebutted by BSNL, Service Connection billing & TAX charges recoverable and payable, pending identification, reconciliation and settlement of these and other similar claims of the company the impact of the same is not ascertainable.** The duct and Tax usage and other charges recoverable from BSNL have already been referred to a joint committee of officers from both MTNL and BSNL constituted by BSNL vide their letter no 16-56/2001-PHA-D dated 25-04-2009 for settlement of all such pending dues and sharing of networks.
- 8) **Non provision of stamp duty for the properties where the conveyance/lease deed is yet to be executed and the amount is unascertainable.** As per the Sale Deed executed between the company and DOT, stamp duty is not payable on the properties acquired by/ vested in the name of the company by DOT. As regards properties acquired after 1/4/86 the matter is taken up with concerned authorities and is in process.
- 9) **Non provision of impairment of assets in terms with Accounting Standard 28.** There is no impairment as per the opinion of Board of Directors as calculated by discounted future cash flow method.
- 10) **Non valuation of vacant land and Guest Houses/ Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions.** The properties have been acquired by the company for self use only hence the same were valued at cost.
- 11) **Non provision of LTC/ encashment of LTC not availed by the employees, amount unascertained.** LTC block is ongoing and the claims get lapsed after completion of the block hence no provision needed.
- 12) **Non confirmation and reconciliation of amounts receivable and payable from various parties.** The process of reconciliation is being pursued.
- 13) **Balance in subscriber's deposits account of Rs. 4526.22 Million and Interest accrued thereon of Rs. 58.49** The reconciliation is in process. Necessary adjustment entries, if any shall



- Million, unlinked receipts from subscribers Rs. 82.31 Million are subject to reconciliation. Balance of sundry debtors as per Ageing Summary is short by Rs. 62.24 Million with comparison to balance is general ledger though the same has been fully provided for. The reconciliation of metered and billed calls in various units is in process. The reconciliation of leased, operational and billed circuits is in progress. The final impact of above on the accounts is presently not ascertainable and the same may have an impact on the Profitability of the company. [Refer Note No. 15(b)].
- be passed as per the reconciliation process.
- 14) During the year no reconciliation of roaming receivables has been carried out. The impact of non-reconciliation of roaming debtors on profitability if any is unascertainable. The reconciliation is in process. Necessary adjustment entries, if any shall be passed as per reconciliation process
- 15) The system of issuance of completion certificates by engineering department needs to be strengthened. The impact due to the delay in issuance of completion certificate on Fixed Assets and Depreciation is not ascertainable. Noted
- 16) The balance of amount payable to GPF Trust is subject to confirmation, reconciliation and subsequent adjustments. The reconciliation is in process.
- 17) The Bank Reconciliation Statements as at 31st March, 2009 include the unmatched/ unlinked credits and debits aggregating Rs. 55.25 million and Rs. 63.23 million respectively, which have not been properly accounted, in the absence of adequate particulars. The impact of such entries on the Accounts cannot be ascertained. The reconciliation is in process.
- 18) In absence of agreement between the company and DOT/BSNL for interest recoverable/ payable on current account, no provision has been made for interest payable/ receivable on balances during the year. The interest shall be accounted for at the time of settlement, as considered necessary by mutual agreement.
- 19) Retaining of outstanding liability of Rs. 470.1 Million on account of decommissioned assets pending arbitration case. Noted.



- 20) **Claims receivables include Rs.22.50 Million towards ADC charges receivable from certain operators accounted for on conservative basis in the financial year 2007-08 and which may have a favourable impact on the results on settlement/acceptance.** The matter is being pursued.
- 21) **The requisite information & details for the identification of Micro, Small & Medium enterprises as such we are unable to comment upon the compliance of section 15 & 22 of the Micro Small & Medium Enterprises Development Act-2006.** Company has addressed all the creditors seeking information whether they come under MSMEDA2006. As no response has been received, no action is required towards compliance of the sections of MSMEDA 2006.
- 22) **The unit has not made following disclosures required under Schedule VI of the Companies Act, 1956 as per references given after each items:**
- i) **Consumption of stores and spares (Para no.3 (x) (a) of part II)** Not Applicable
- ii) **Consumption of imported and indigenous stores and spares and Percentage to the total consumption (Para no.4 D (C) of Part II)** Not Applicable
- iii) **The classification of sundry debtors as unsecured without considering the security deposit that the unit has received from subscribers.** The debtors are secured upto the extent covered by security deposit received from subscribers however the same fact has been disclosed in schedule H of Balance Sheet.
- iv) **Debtor's figures outstanding for more than six months and up to six months are ascertained by the management and relied upon by the auditors.** This is as per the system generated reports.

Place : New Delhi
Dated : 31st August 2009


(R.S.P.Sinha)
Chairman & Managing Director



Rep-II/F-135/A/cs/MTNL/2008-09/430

Confidential

क्रमांक.....

No.

कार्यालय

महानिदेशक लेखापरीक्षा, डाक व दूरसंचार,

शाम नाथ मार्ग, (समीप पुराना सचिवालय) दिल्ली-110402

OFFICE OF THE

Director General of Audit, Post & Telecommunications
Sham Nath Marg, (Near Old Secretariat), Delhi- 110402



Dated 24 August, 2009

To,

**The Chairman and Managing Director,
Mahanagar Telephone Nigam Limited,
Jeevan Bharti Building, Janpath
New Delhi-110001.**

Subject : Comments of the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the annual accounts of mahanagar Telephone Nigam Limited for the year ended 31 March 2009.

Sir,

I am to forward herewith 'Nil Comments' certificate of the Comptroller & Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the annual accounts of Managager Telephone Nigam Limited for the year ended 31 March, for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/-

(R.P. Singh)

Director General of Audit (P&T)

Encl (s): As above.

दूरभाष/ Telephone : 23812666, 23814533

तार/Telegram: CENOFF, DELI

फैक्स/Fax : 91-011-23813822



Comments of the Comptroller and Auditor General of India under Section 619 (4) of the Companies Act, 1956 on the accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March, 2009.

The preparation of financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March, 2009 in accordance with the financial reporting framework prescribed under the Companies Act, 1956 is the responsibility of the Management of the Company. The Statutory Auditor appointed by the Comptroller and Auditor General of India under Section 619 (2) of the Companies Act, 1956 is responsible for expressing opinion on these financial statements under Section 227 of the Companies Act, 1956 based on independent audit in accordance with the auditing and assurance standards prescribed by their professional body the Institute of Chartered Accountants of India. This is stated to have been done by them vide their Audit Report dated 1 August 2009.

I on the behalf of the Comptroller and Auditor General of India have conducted a supplementary audit under Section 619 (3) (b) of the Companies Act, 1956 of the financial statements of Mahanagar Telephone Nigam Limited for the year ended 31 March, 2009. The supplementary audit has been carried out independently without access to the working papers of the Statutory Auditor and is limited primarily to inquiries of the Statutory Auditor and Company personnel and a selective examination of some of the accounting records. On the basis of my audit nothing significant has come to my knowledge which would give rise to any comment upon or supplementary to Statutory Auditor's Report under Section 619 (4) of the Companies Act, 1956.

**For and on the behalf of the
Comptroller and Auditor General of India**

Sd/-

(R.P. Singh)

Director General of Audit (P&T)

Place: Delhi

Date: 24 August 2009

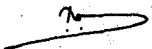


**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY**

- | | |
|---|------------------------------|
| 1. Name of the Subsidiary Company | Millennium Telecom Ltd.(MTL) |
| 2. Financial Year of MTL ended on | 31st March, 2009 |
| 3. Extent of MTNL's interest in MTL at the end of financial year 2008-09 | 100% |
| 4. Net aggregate amount of MTL's profit (Loss). so far as it concern the members of MTNL and is not dealt within the accounts of MTNL | |
| i) For the F.Y. of MTL ended on 31st March 2009 | Rs. (5,24,565) |
| ii) For previous F.Y.s of MTL since it became subsidiary | Rs.2,65,43,742 |
| 5. Net aggregate amount of MTL's profit (Loss). so far as it concern the members of MTNL and is dealt within the accounts of MTNL | |
| i. For the F.Y. of MTL ended on 31st March 2009 | Nil |
| ii) For previous F.Y.s of MTL since it became subsidiary | Nil |
| 6. Where the Financial Year(s) of MTL does not coincide with that of MTNL, then: | Not Applicable |
| (a) Change in MTNL's interest in MTL between the end of F.Y. of MTNL and that of MTL | |
| (b) Details of material changes which have occurred between the end of F.Y of MTNL and that of MTL in respect of | |
| i. MTL's Fixed Assets' | |
| ii. Its investments; | |
| iii. The moneys lent by it | |
| iv. The moneys borrowed by it for any purpose other that of meeting current liabilities | |

For and on behalf of Mahanagar Telephone Nigam Limited


(S.R. Sayal)
Company Secretary


(R.C. Sen)
Jt. General Manager
(Accounts)


(Anita Soni)
Director (Finance)


(R.S.P. Sinha)
Chairman &
Managing Director

Place : New Delhi
Date : 28-08-2009





**STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956
RELATING TO SUBSIDIARY COMPANY**

- | | |
|--|--|
| 1. Name of the Subsidiary Company | Mahanagar Telephone (Mauritius) Ltd.(MTML) |
| 2. Financial Year of MTML ended on | 31st March, 2009 |
| 3. Extent of MTNL's interest in MTML at the end of financial year 2008-09 | 100% |
| 4. Net aggregate amount of MTML's profit (Loss). so far as it concern the members of MTNL and is not dealt within the accounts of MTNL | |
| a. For the F.Y. of MTML ended on 31st March 2009 | Rs. (5,16,53,540) |
| b. For previous F.Y.s of MTML since it became subsidiary | Rs.(8,84,86,458) |
| 7. Net aggregate amount of MTML's profit (Loss). so far as it concern the members of MTNL and is dealt within the accounts of MTNL | |
| i) For the F.Y. of MTML ended on 31st March 2009 | Nil |
| ii) For previous F.Y.s of MTML since It became subsidiary | Nil |
| 8. Where the Financial Year(s) of MTML does not coincide with that of MTNL, then: | Not Applicable |
| (a) Change in MTNL's interest in MTML between the end of F.Y. of MTNL and that of MTML | |
| (b) Details of material changes which have occurred between the end of F.Y of MTNL and that of MTML in respect of | |
| i) MTML's Fixed Assets' | |
| ii) Its investments; | |
| iii) The moneys lent by it | |
| iv) The moneys borrowed by it for any purpose other that of meeting current liabilities | |

For and on behalf of Mahanagar Telephone Nigam Limited


(S.R.Sayal)
Company Secretary


(R.C.Sen)
Jt. General Manager
(Accounts)


(Anita Soni)
Director (Finance)


(R.S.P. Sinha)
Chairman &
Managing Director

Place : New Delhi
Date : 28-08-2009



Millennium Telecom Limited
(A Subsidiary of MTNL)

Registered Office :

Telephone House,
15th Floor, V.S. Marg, Dadar (W),
Mumbai - 400 028



MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

DIRECTORS REPORT

Dear Shareholders,

The Directors of your company have pleasure in presenting the 9th Annual Report of your Company together with Statement of Accounts and Auditors Report for the period ended on 31st March, 2009.

OPERATIONS OF THE COMPANY

Sub-Marine Project

As you are aware, your company had felt the need for a new international sub-marine cable system extending between India and other Asian countries including UAE to serve its future needs.

Millennium Cable System (MCS) project is being undertaken in joint venture with Bharat Sanchar Nigam Limited (BSNL). The shareholding of your company will be subscribed in the ratio of 50:50 by Mahanagar Telephone Nigam Limited (MTNL) and Bharat Sanchar Nigam Limited (BSNL), the two Government of India enterprises. The cable will be laid from Indian East Coast to South-east Asia and from Indian West Coast to middle East with an aim for onward connectivity to the Europe and North America through existing and newly planned submarine cables. M/s AXIOM, France, was appointed as the Consultant for procurement and implementation of the project.

The financial bids have been opened. The first copy of the draft financial evaluation report have been received from the consultant on 13.08.09 and it is expected that the draft financial report shall be submitted to the management in a couple of weeks for approval. The Steering Committee has meanwhile visited Digha to select a suitable site for construction of cable landing station. The proposal has been put up to the management for consideration and approval.

For the other landing sites at Port Blair & Ratiya, the Steering Committee shall be visiting these places shortly for selection of suitable landing sites.

MTL expects to Award the Contract by Sept., 2009. The likely date for the completion of the project is approximately 30 months from the date of Award of Contract. Accordingly, the tentative date for the completion of the project shall be third quarter of 2011.

Dialogue with various Trunk Parties

Dialogues have been initiated with all the trunk landing parties and are in advance stages of discussions for the signing of MOU/LPAs for the landing of MCS.

- Eastern Segment Singapore (M/s Singtel) & Malaysia (M/s Telecom Malaysia).
- Western Segment UAE (Ms Etisalat) & Djibouti (M/s Djibtel).



Dialogue with various Branch Parties

MTL is looking for branch landing parties on the third hopping fiber-for connecting MCS to the following countries:-

- Eastern Segment
- Western Segment
- Bangladesh, Myanmar, Thailand, Indonesia
- Pakistan, Oman, Yemen

Dialogues has already been initiated with various interested parties.

Dialogue with other Telecom Operators

MTL is in discussions/negotiations with telecom operators in middle East and South East countries for landing facilities to MCS cable in their countries for capacities swapping/sharing basis to realize its ultimate aim to reach US from both sides of India.

FINANCIAL HIGHLIGHTS

During the year under report, even though the Company has no operating income, yet it has earned other income (interest on the Fixed Deposit) amounting to Rs. 26,25,616/- and made a profit before taxation Rs. 17,79,420/- as against the profit before taxation Rs. 35,84,321/- during the last year.

SHARE CAPITAL

The paid up Share Capital of the Company is Rs. 2,87,58,800 (28,75,880 equity shares of Rs 10/- each). All the shares are being held by MTNL (Holding Company) and its nominees. The Joint Venture Partner Bharat Sanchar Nigam Limited (BSNL) and MTNL would subscribe for more capital in the company in near future.

DIVIDEND

In the absence of any operating income, the Board of Directors has not considered it prudent to recommend any dividend for the year ended on 31.03.2009.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Sec 217(2AA) of the Companies Act, 1956, the Directors of the Company hereby confirm that:

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- (ii) they selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.



CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

During the year, there was no foreign exchange earnings and outgo.

PARTICULARS OF EMPLOYEES

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

DIRECTORS

Shri R.S.P. Sinha continued to be Chairman of the Company. Smt Anita Soni, Shri Kuldip Singh, Shri Rajendra Singh, Shri R.K. Agrawal and Shri J.S. Deepak continued to be the Directors of your Company during the financial year under report.

AUDITORS

M/s D.N. Kubal & Co., Chartered Accountants were appointed as statutory auditors of your company by the Comptroller & Auditors General of India (C &AG) for the year 2008-2009.

ACKNOWLEDGEMENT

The Board of Directors expresses its gratitude to the holding company i.e. MTNL, the Joint Venture partner BSNL, Administrative Ministry i.e. Department of Telecom(DOT) and other Govt. Ministries/Departments for their help, guidance and support extended by them to your company from time to time.

The Board feels pleasure in placing on record its sincere appreciation for the valuable services rendered by the management of MTNL and BSNL at all levels.

For and on behalf of Board of Directors

sd/-
(R.S.P. SINHA)
CHAIRMAN

Place : New Delhi
Date : 18th Aug, 2009



For **D. N. KUBAL & CO.**
Chartered Accountants
A-7, Anand Nagar,
Sitla Devi Temple Road,
Mahim, Mumbai-400016

AUDITOR'S REPORT

To the members of **MILLENIUM TELECOM LIMITED**

1. We have audited the attached Balance Sheet of **MILLENIUM TELECOM LIMITED** as at 31st March 2009, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion
3. As required by the Companies (Auditors Report) Order, 2003 issued by the Central Government in terms of sub-section (4A) of section 227 of the companies Act, 1956 (the Act), we enclose in the Annexure a statement on the matters specified in paragraph 4 and 5 of the said order to the extent applicable.
4. Further to our comments in the Annexure referred to above, we report that::
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our Audit;
 - ii) In our opinion proper books of account as required by law, have been kept by the company so far as appears from our examination of those books;
 - iii) The Company's Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with the books of account;
 - iv) In our opinion, the Balance Sheet and the Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - v) On the basis of the written representation received from the directors as on 31st March, 2009, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;



vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with significant accounting policies and other Notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. In the case of the Balance Sheet, of the state of the affairs of the company as at 31st March 2009;
- b. In the case of the Profit & Loss Account, of the Loss for the year ended on that date.; and
- c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For D. N. KUBAL & CO.
Chartered Accountants

sd/-
DEEPAK KUBAL
(M No 34078)
Partner

Place: Mumbai
Date : 22nd Aug, 2009



ANNEXURE TO THE AUDITORS' REPORT

- (i) a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.
- c) As per the information and explanation given to us on our enquiries the disposal of assets during the year was not substantial so as to have an impact on the operations of the company, or affect its going concern.
- (ii) As the company is not dealing in any goods. Accordingly clause 4 (ii)(a) to (c) does not apply to the company.
- (iii) As per the information given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act'). Accordingly, clauses (iii)(a)(b)(c) and (d) of paragraph 4 of the Order are not applicable to the Company.
- e) The company has received unsecured interest free loan from its holding company MTNL, the outstanding balance as on 31st March, 2009 is Rs 717201/-. As per the explanations given to us by management, the company has maintained register under section 301 of the Companies Act, 1956 which is kept at Delhi office and not produced before us.
- f) The company has received unsecured interest free loan from its holding company MTNL, therefore rate of interest & other terms & conditions does not apply
- g) As the company has received unsecured interest free loan from its holding company MTNL, therefore there is no repayment schedule, no interest payable. These loans are payable on demand so there is no overdue amount.
- iv In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in these areas
- v a. In our opinion and according to the information and explanations given to us, the contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been entered in the register and the register is maintained by the company at his Delhi office and the register is not produced before us. In reply to the query of Government Auditors for 2006-2007 the company has promised to produce the register at Bombay office for verification of the auditor, but the company has not produced the same before us.



- b. In our opinion and according to the information and explanations given to us, the contracts or arrangements referred to in Section 301 of the Act and exceeding the value of five lakh rupees in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time and other relevant circumstances.
- vi As per the explanations given to us, the Company has not accepted any deposits from public.
- vii The Company has no formal internal audit system. However, its control procedures ensure reasonable internal checking of its financial & other records.
- viii To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- ix a. According to the information and explanations given to us by the management Provident fund, Investor Education and Protection Fund, Employee's State Insurance, Sales tax, Wealth Tax, Customs Duty, Excise Duty, Cess is not applicable.
- b. According to the information and explanations given to us there are no disputed amount Income Tax / Sales/ Walth tax / Service tax / Custom duty/ Excise Duty /cess that have not been deposited on account of any dispute
- x According to the records of the Company examined by us and the information and explanation given to us by the management, the company has no accumulated losses and has not incurred any cash loss during the financial year covered by our audit or in the immediately preceding financial year.
- xi According to the records of the Company examined by us and the information and explanation given to us by the management, the Company has not defaulted in repayment of dues to any financial institution or bank or debenture holders as at the balance sheet date
- xii As per the explanations given to us by management, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Therefore maintaining of adequate documents and records is not applicable. ♥
- xiii The Company is not a chit fund company so the clause (xiii) of paragraph 4 & sub-clauses (a) to (d) of clause xiii of second part of paragraph 4 of the Order does not apply.
- xiv As per information and explained to us, the Company has not dealt /trade in securities or debentures during the year. The Company's surplus funds are invested in Bank Fixed deposit of which proper records have been maintained and timely entries have been made therein. This Fixed deposit was held by the Company in its own name.
- xv As per the information and explanation given to us, the company has not given any guarantee for loans taken by others.



- xvi As per the information given to us and from verification of records, the Company has not obtained any term loans.
- xvii As per the information given to us, the company has not taken any term loans. Accordingly this clause (xvii) of paragraph 4 of this Order does not apply.
- xviii As per the information and explanation given to us, the Company has not made any preferential allotment of shares, during the year, to parties and Companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- xix As per the information and explanation given to us and the records verified by us for the period under concerned the Company has not issued any debentures.
- xx The company in the recent past has not raised any money by public issue.
- xxi As per the information and explanation given to us and in our opinion, considering the size and nature of the company's operations, no fraud of material significance has been noticed or reported on or by the company during the year to which our Audit report is related.

For D. N. KUBAL & CO.
Chartered Accountants

sd/-
DEEPAK KUBAL
(M No 34078)
Partner

Place: Mumbai
Date : 22nd Aug, 2009



MILLENNIUM TELECOM LIMITED
BALANCE SHEET AS AT 31st MARCH, 2009

	Schedule No.	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
I. SOURCES OF FUNDS :			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	28,758,800	28,758,800
(b) Reserves & Surplus	B	27,014,358	27,538,923
		<u>55,773,158</u>	<u>56,297,723</u>
2. LOAN FUNDS :			
(a) Unsecured Loan	C	717,101	230,816
		<u>717,101</u>	<u>230,816</u>
2. Deffered Tax Liability	D	158,221	-
		<u>158,221</u>	<u>-</u>
	TOTAL	<u>56,648,480</u>	<u>56,528,539</u>
II. APPLICATION OF FUNDS :			
1. FIXED ASSETS			
(a) Gross Block	E	3,754,782	3,754,782
(b) Less : Depreciation		2,518,236	2,124,015
(c) Net Block		<u>1,236,546</u>	<u>1,630,767</u>
2. CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Sundry Debtors	F	13,695,595	13,794,405
(b) Cash and Bank Balances	G	28,437,555	32,389,625
(c) Other Current Assets	H	242,637	4,975,146
(c) Deferred Tax Asset	I	-	1,123,233
(d) Loans & Advances	J	11,423,286	1,982,243
		<u>53,799,073</u>	<u>54,264,652</u>
Less: Current Liabilities & Provisions			
(a) Liabilities	K	7,593,839	9,252,580
(b) Provisions	L	2,114,300	1,435,300
		<u>9,708,139</u>	<u>10,687,880</u>
NET CURRENT ASSETS		<u>44,090,934</u>	<u>43,576,772</u>
3. Miscellaneous Expenditure (to the extent not written off or adjusted)	M	11,321,000	11,321,000
		<u>11,321,000</u>	<u>11,321,000</u>
	TOTAL	<u>56,648,480</u>	<u>56,528,539</u>

Accounting Policies & Notes forming part of Accounts Q

Sd/-
S.R.Sayal
 Company Secretary
 Date : 18.8.2009

Sd/-
Peeyush Agrawal
 Chief Operating Officer

Sd/-
Anita Soni
 Director

Sd/-
R.S.P Sinha
 Chairman

AS PER OUR ATTACHED REPORT OF EVEN DATE

For M/s D. N. KUBAL & CO.
 Chartered Accountants

Sd/-
DEEPAK KUBAL
 Partner

PLACE : MUMBAI

DATED : 22nd August, 2009



MILLENNIUM TELECOM LIMITED
PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2009

	Schedule No.	For the year ended 31.3.2009 (Rupees)	For the year ended 31.3.2008 (Rupees)
INCOME			
Income from Operation	N	-	-
Other Income	O	2,625,616	4,317,984
	TOTAL	2,625,616	4,317,984
EXPENDITURE			
Administrative, Operating & Other Expenses	P	440,685	319,848
Depreciation	E	405,511	413,815
	TOTAL	846,196	733,663
NET PROFIT/(LOSS) BEFORE TAXATION		1,779,420	3,584,321
Provision for Bad & Doubtful Debts		98,810	-
Provision for Taxation			
- Deferred Tax Asset		1,123,233	-
- On Depreciation		158,221	-
- Current tax		679,000	786,000
		(279,844)	2,798,321
Prior Period Adjustments			
Excess provision of Dep. Written Back		11,290	-
Excess provision of Exp. Written Back		8,250	6,732
Prior Period Expenses	R	264,261	
Balance carried to Balance Sheet		(524,565)	2,805,053
Accounting Policies & Notes forming part of Accounts	Q		
Average number of equity shares		2,875,880	2,875,880
Basic & Diluted EPS		(0.18)	0.98

Sd/-
S.R.Sayal
 Company Secretary

Sd/-
Peeyush Agrawal
 Chief Operating Officer

Sd/-
Anita Soni
 Director

Sd/-
R.S.P Sinha
 Chairman

Date : 18.8.2009

AS PER OUR ATTACHED REPORT OF EVEN DATE

For M/s D. N. KUBAL & CO.
 Chartered Accountants

Sd/-
DEEPAK KUBAL
 Partner

PLACE : MUMBAI
DATED : 22nd August, 2009



SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE - A

SHARE CAPITAL

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
AUTHORISED CAPITAL		
100000000 Equity Shares of Rs. 10/- each	1,000,000,000	1,000,000,000
ISSUED, SUBSCRIBED & PAIDUP CAPITAL		
28,75,880 Equity Shares (P.Y. 28,75,880) of Rs. 10/- each (All shares held by Mahanagar Telephone Nigam Ltd the holding company and its nominees)	28,758,800	28,758,800
TOTAL	28,758,800	28,758,800

SCHEDULE - B

RESERVES & SURPLUS

		As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Revenue Reserve		995,181	995,181
Profit and Loss Appropriation Account			
Opening Balance	26,543,742		
Add: Current year's profit	(524565)	26,019,177	26,543,742
TOTAL		27,014,358	27,538,923

SCHEDULE - C

UNSECURED LOAN

		As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Loan from Holding Company			
MTNL, Corporate Office		717,101	230,816
TOTAL		717,101	230,816

SCHEDULE - D

DEFERRED TAX LIABILITIES

		As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
On Depreciation		158,221	-
TOTAL		158,221	-

SCHEDULE - E : FIXED ASSETS

As per Companies Act, 1956

A.Y. 2009-2010

F.Y. 2008-2009

Sr. No.	Description	Rate of Depn.	GROSS BLOCK				DEPRECIATION				NET BLOCK	
			As on 01/04/2007	Additions during the year	Deductions (At Cost)	As on 31.03.2009	As At 1.4.2008	For The Year	Written Back	As At 31.3.2009	As At 31.3.2009	As At 31.3.2009
1	Apparatus & Plants											
	Equipment & Apparatus	9.50%	82,639	-	-	82,639	60,750	7,851	7,475	61,126	21,513	21,889
2	Electrical Appliances											
	Electrical Fittings	6.33%	62,215	-	-	62,215	19,124	3,938	-	23,062	39,153	43,091
	Air Condition	4.75%	117,760	-	-	117,760	21,508	5,594	-	27,102	90,658	96,252
3	Furniture & Fixtures											
	Furniture & Fixtures	6.33%	474,252	-	-	474,252	162,513	30,020	-	192,533	281,719	311,739
4	Office Machinery											
	Cellular Telephone Handset	4.75%	8,200	-	-	8,200	2,244	389	-	2,633	5,567	5,956
	Water Filter	4.75%	15,280	-	-	15,280	3,952	726	-	4,678	10,602	11,328
	Fax Machine	4.75%	63,765	-	-	63,765	16,381	3,029	-	19,410	44,355	47,384
	Xerox Machine	4.75%	123,615	-	-	123,615	32,818	5,872	-	38,690	84,925	90,797
	EPABX System	4.75%	11,990	-	-	11,990	2,794	570	-	3,364	8,626	9,196
	Scanner	16.21%	11,024	-	-	11,024	9,953	1,071	-	11,024	-	1,071
	Web Camera	16.21%	4,347	-	-	4,347	3,194	705	-	3,899	448	1,153
	LCD Projector	16.21%	256,601	-	-	256,601	154,453	41,595	-	196,048	60,553	102,148
	ISDN Router	16.21%	16,500	-	-	16,500	12,994	2,675	-	15,669	.831	3,506
5	Vehicles											
	Motor Car	9.50%	636,216	-	-	636,216	332,507	60,441	-	392,948	243,268	303,709
6	Computers											
	Modems - MSDSL	16.21%	371,592	-	-	371,592	375,407	-	3,815	371,592	-	(3,815)
	Computer	16.21%	775,628	-	-	775,628	643,372	125,729	-	769,101	6,527	132,256
	Printer	16.21%	104,408	-	-	104,408	89,401	15,007	-	104,408	-	15,007
	Laptop	16.21%	618,750	-	-	618,750	180,650	100,299	-	280,949	337,801	438,100
	TOTAL		3,754,782	-	-	3,754,782	2,124,015	405,511	11,290	2,518,236	1,236,546	1,630,767
	PREVIOUS YEAR		3,754,782	-	-	3,754,782	1,710,200	413,815	-	1,710,200	1,630,768	1,573,521

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SCHEDULE - F
SUNDRY DEBTORS

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Outstanding for a period exceeding six months		
- Unsecured Considered Good	13,695,595	13,695,595
Other Debts		
Outstanding for a period exceeding six months		
- Unsecured Considered Bad & not other debts	215,771	215,771
Less: Provision for Bad & Doubtful debts	215,771	116,961
TOTAL	13,695,595	13,794,405

SCHEDULE - G
CASH & BANK BALANCES

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Cash in Hand		
Balance with Scheduled Banks		
- In Current Account with Indian Overseas Bank	26,698,150	1,788,772
- In Current Account with ICICI Bank	100,825	100,853
- In Deposit Account	1,638,580	30,500,000
Balance with Non-Scheduled Banks		
TOTAL	28,437,555	32,389,625

SCHEDULE - H
OTHER CURRENT ASSETS

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Telephone Deposit	-	-
Prepaid Expenses	3,045	4,856
Receivable from MTNL, Delhi	56,047	56,047
Receivable from MTNL, Mumbai	118,166	118,166
Interest Accrued on FD with Bank (TDS - Rs.773,203)	65,379	4,796,077
TOTAL	242,637	4,975,146



SCHEDULE - I

DEFERRED TAX ASSET

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
DEFERRED TAX ASSET		
Deferred Tax Asset	-	1,123,233
TOTAL	-	1,123,233

SCHEDULE - J

LOANS & ADVANCES (Unsecured)

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Income Tax Paid (A.Y. 2005-06)	857,155	857,155
Income Tax Paid (A.Y. 2006-07)	351,885	351,885
Income Tax Paid (RECOVERED BY I TAX)	9,038,692	-
TDS RECOVERED BY BANK - 090402	1,175,554	773,203
TOTAL	11,423,286	1,982,243

SCHEDULE - K

CURRENT LIABILITIES

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Outstanding Expenses	65,000	71,750
Earnest Money Deposit - 131600	4,131,283	4,131,283
MTNL	1,663,945	1,663,945
TDS Payable	-	761,087
Service Tax Payable	779,119	1,670,148
Sundry Creditors	126,553	126,428
Provision for Direct Expenses	827939	827939
TOTAL	7,593,839	9,252,580



**SCHEDULE - L
PROVISIONS**

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Provision for Taxation	2114300	1435300
TOTAL	2,114,300	1,435,300

**SCHEDULE - M
MISCELLANEOUS EXPENDITURE**

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
Preliminary Expenses to the extent not w/off		
Registration Fees	-	-
Stamp duty	-	-
Professional & Consultancy Charges to the extent not w/off	11,321,000	11,321,000
TOTAL	11,321,000	11,321,000

**SCHEDULE - N
INCOME FROM OPERATIONS**

	For the year ended 31.3.2009 (Rupees)	For the year ended 31.3.2008 (Rupees)
Income from e-Tendering Services	-	-
TOTAL	-	-

**SCHEDULE - O
OTHER INCOME**

	For the year ended 31.3.2009 (Rupees)	For the year ended 31.3.2008 (Rupees)
Interest on FD with Bank	2,625,616	3,139,775
Miscellaneous Income	-	1,178,209
TOTAL	2,625,616	4,317,984

**SCHEDULE - P****ADMINISTRATIVE, OPERATING & OTHER EXPENSES**

	For the year ended 31.3.2009 (Rupees)	For the year ended 31.3.2008 (Rupees)
Advertisement/Business Promotion Expenses	-	-
Auditors remuneration	65,000	63,250
Bank Charges & Commission	3,840	9,088
Conveyance	794	4,603
Consultancy Fees	41,814	102,000
Insurance charges	5,868	5,028
Postage & Courier	208	275
Professional & Legal Charges	186,909	-
Membership Fees	-	-
Miscellaneous Expenses	11,050	1,078
Printing & Stationery	1,295	11,824
Repairs & Maintenance (Office Machinery & Computers)	17,850	-
Refreshment Expenses	19,790	24,012
Seminar & Training Expenses	-	-
Travelling Expenses	57,550	98,690
Bank Guarantee Commission	28,217	-
Filling Fees R.O.C	500	-
TOTAL	440,685	319,848

SCHEDULE - R**PRIOR PERIOD EXPENSES**

	For the year ended 31.3.2009 (Rupees)	For the year ended 31.3.2008 (Rupees)
Professional & Legal Charges	19,135	-
Consultancy Fees	67,200	-
Bank Guarantee Commission	177,926	-
TOTAL	264,261	-



**MILLENNIUM TELECOM LIMITED
CASH FLOW STATEMENT**

	As at 31.3.2009 (Rupees)	As at 31.3.2008 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items	1,779,420	3,584,321
Adjustment for non cash items/items to be disclosed seperately:		
Interest Income	(2,625,616)	(3,139,775)
Prior Period Items	(256,011)	6,732
Amortisation	-	-
Depreciation	405,511	413,815
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	(696,696)	865,093
ADJUSTMENTS FOR CHANGES IN WORKING CAPITAL		
(Increase)/ Decrease in Other Current Assets	4,732,509	(1,881,479)
(Increase)/ Decrease in Loans & Advances	(9,441,043)	(410,043)
Increase/ (Decrease) in Trade payable	(979,741)	2,439,544
CASH GENERATED FROM OPERATIONS	(6,384,971)	1,013,115
Extra Ordinary Items: Misc. Expenditure	-	8,100,000
Income Tax paid	679,000	786,000
NET CASH FLOW FROM OPERATING ACTIVITIES (A)	(7,063,971)	(7,872,885)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	-	(471,061)
Sale of Fixed Assets	-	-
Interest received	2,625,616	3,139,775
NET CASH FLOW FROM INVESTING ACTIVITIES (B)	2,625,616	2,668,714
CASH FLOW FROM FINANCE ACTIVITIES:		
Unsecured Loan taken	486,285	-
NET CASH FROM FINANCING ACTIVITIES (C)	486,285	-
NET INCREASE IN CASH AND CASH EQUIVALENT (A+B+C)	(3,952,070)	(5,204,171)
CASH AND CASH EQUIVALENTS AS AT 1st April, 2008 (OPENING BALANCE)	32,389,625	37,593,796
CASH AND CASH EQUIVALENTS AS AT 31st March, 2009 (CLOSING BALANCE)	28,437,555	32,389,625

Sd/-
S.R.Sayal
Company Secretary
Date : 18.8.2009

Sd/-
Peeyush Agrawal
Chief Operating Officer

Sd/-
Anita Soni
Director

Sd/-
R.S.P Sinha
Chairman

AS PER OUR ATTACHED REPORT OF EVEN DATE

For M/s D. N. KUBAL & CO.
Chartered Accountants

Sd/-
DEEPAK KUBAL
Partner

PLACE : MUMBAI
DATED : 22nd August, 2009



SCHEDULE - 'Q' PART-A
SIGNIFICANT ACCOUNTING POLICIES

1. Basis of presentation of financial statements :

The financial statements are prepared under the historical cost convention, on the basis of going concern and in accordance with generally accepted accounting principles in India and as per the provisions of the Companies Act, 1956.

2. Fixed assets:

Fixed assets are stated at cost (Gross block) less accumulated depreciation.

3. Depreciation:

Depreciation on fixed assets has been provided on straight-line method at the rates and in the manner prescribed in schedule XIV to the Companies Act, 1956.

4. Amortization

Preliminary Expenses has been fully written off.

5. Income recognition:

All incomes have been recognized on accrual basis. Interest on deposit with banks is recognized on day-to-day basis.

6. Provision for Current & Deferred Tax:

Provision for current tax has been made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961. Deferred tax resulting from timing differences between the book and the taxable profits for the year is accounted for, using the tax rates & the laws that have been substantively enacted as of the balance sheet date. Deferred tax assets is recognized and carried forward only to the extent there is reasonable certainty that this would be realized in future.

7. Retirement benefits:

No provision for retirement benefits has been made since there are no employees.

Sd/-
S.R.Sayal
Company Secretary
Date : 18.8.2009

Sd/-
Peeyush Agrawal
Chief Operating Officer

Sd/-
Anita Soni
Director

Sd/-
R.S.P Sinha
Chairman

For M/s D. N. KUBAL & CO.
Chartered Accountants

Sd/-
DEEPAK KUBAL
Partner

PLACE : MUMBAI
DATED : 22nd August, 2009



SCHEDULE - 'Q' PART-B
NOTES TO ACCOUNTS

1. In the opinion of Board of Directors, current assets, loans & advances, have value on realization in the ordinary course of the business at least equal to the amounts at which they are stated and provision for all known liabilities has been made in the accounts.
2. The entire equity share of the Company is held by Mahanagar Telephone Nigam Ltd, the holding company & its nominees.
3. Contingent liabilities include
 - I) Guarantee given by Banks of Rs. 2.00 crores &
 - II) As Regards Income Tax of **Rs.5983525/-** pertaining to Assessment Year 2003-2004 and **Rs.29,82,670/-** pertaining to Assessment Year 2005-2006 as per the Demand notice received from Income Tax Department. The company has filed an appeal against the Assessment Order and the appeal is pending against Commissioner of Income Tax. The company has paid the above amount under protest, hence there is no dues of Income Tax .
 - III) As Regards of Sub Marine Cable Project, Payment to Consulting Firm M/s Axiom is pending up to Rs.4,39,00,000/- out of total contract price Rs. 5,20,00,000/- . Full Payment has been already made to M/s Data Wave limited in the financial year 2006-07.

4. Payment to Auditors include

	<u>Current year</u>	<u>Previous Year</u>
a) Audit Fees	Rs. 36,000/-	Rs. 34,500/-
b) Certification Fees	Rs. 29,000/-	Rs. 28,750/-
c) Service Tax		

5. No confirmation has been received from Sundry Debtors/sundry creditors outstanding.
6. No payments to Creditors include payment to Small Scale Industries.
7. Unsecured Loans include amount due to holding company.
8. Related Party Disclosures as per AS 18:

a) Name of the related party	:	MTNL
b) Description of the relationship	:	Holding Company
c) Description of the transaction	:	NIL
d) Volume of the transactions in monetary terms	:	NIL
e) Outstanding item pertaining to related parties as at the balance sheet date.		
i) Due from MTNL		
a) Sundry Debtors	:	Rs.1,36,37,395
b) Other Current Assets	:	Rs.1,74,213
ii) Due to MTNL	:	Rs. 16,63,945
iii) Unsecured Loan from MTNL	:	Rs.7,17,101



9. The Computation of Earnings per share

Net Profit/ (Loss) for the year including provision for taxation in Rs.	:	Rs.(524565)
Average number of equity shares	:	28,75,880
Basic & Diluted EPS in Rs.	:	Re (0.18)

10. Previous years figures have been recast & regrouped wherever necessary.

11. The payments of Rs.1,13,21,000/- made for the purpose of submarine cable project is shown as deferred revenue expenses since the project is in progress and it has not been written off because the project has not started to earn any revenue.

12. Provisions in respect of licensed, installed capacity and other provisions in respect of quantitative details of goods manufactured / traded like opening stock, purchases, Turnover, closing stock do not apply as the company is rendering services only.

13. Details of receipts & remittance in Foreign Currency	Current Year	Previous Year
i) Expenditure in foreign currency	NIL	NIL
ii) C.I.F. value of Imports	NIL	NIL
iii) Remittances in Foreign Currency	NIL	NIL
iv) Earnings in Foreign Exchange	NIL	NIL

Sd/-
S.R.Sayal
Company Secretary
Date : 18.8.2009

Sd/-
Peeyush Agrawal
Chief Operating Officer

Sd/-
Anita Soni
Director

Sd/-
R.S.P Sinha
Chairman

For M/s D.N.KUBAL & CO.
Chartered Accountants

Sd/-
Deepak Kubal
Partner

PLACE : MUMBAI
DATED : 22nd August, 2009



Moore Stephens
6M, Floor, Nirmal House,
22 Sir William Newton Street
Port Louis, Republic of Mauritius
Tel : (230) 211-6535, 2117484,

MAHANAGAR TELEPHONE (MAURITIUS) LTD

This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 205 of the Mauritian Companies Act 2001 and for no other purpose. We do not in, giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of MAHANAGAR TELEPHONE (MAURITIUS) LTD, set out on pages 5 to 19, which comprise the balance sheet at 31 March 2009 and the income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritian Companies Act 2001. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.



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

Opinion

In our opinion, the financial statements on pages 5 to 19 give a true and fair view of the financial position of the company at 31 March 2009 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritian Companies Act 2001.

Report on Other Legal and Regulatory Requirements

We have no relationship with or interests in the company other than in our capacities as auditors and tax advisers. We have obtained all the information and explanations we have required. In our opinion, proper accounting records have been kept by the company as far as it appears from our examination of those records.

MOORE STEPHENS (MAURITIUS)
Chartered Certified Accountants

GHANSHYAM HURRY F.C.C.A
Chartered Certified Accountants

PORT LOUIS
MAURITIUS

DATE : 08.06.2009



MAHANAGAR TELEPHONE (MAURITIUS) LTD

Balance Sheet

As at 31st March 2009

	Note	2009 (MUR)	2008 (MUR)
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	350,006,978	379,546,791
Deferred taxation	4	16,087,336	9,464,576
		366,094,313	389,011,367
Current Assets			
Trade and other receivables	5	164,026,255	120,491,229
Cash and bank balances	6	21,585,109	42,904,073
		185,611,364	163,395,302
TOTAL ASSETS		551,705,677	552,406,669
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	7	567,235,852	494,187,544
Accumulated losses	8	(92,492,391)	(57,677,029)
Shareholders' interests		474,743,461	436,510,515
Current Liabilities			
Trade and other payables	9	73,694,128	115,896,154
Bank overdraft	6	3,268,099	-
		76,962,217	115,896,154
TOTAL EQUITY AND LIABILITIES		551,705,678	552,406,669

Approved by the Board of Directors on 08.06.2009

0

sd/-
Director

sd/-
Director



MAHANAGAR TELEPHONE (MAURITIUS) LTD

Income Statement

For the year ended 31st March 2009

	Note	2009 (MUR)	2008 (MUR)
Turnover	2	170,083,288	188,823,889
Cost of sales (Appendix I)		(82,126,197)	(78,906,653)
Gross profit		87,957,091	109,917,236
Personnel expenses		(11,220,112)	(8,667,169)
Licence fee		(21,336,008)	(20,743,188)
Reversal of ICTA Special account fee		14,356,443	20,131,657
Administrative expenses (Appendix IV)		(47,783,002)	(42,281,020)
Marketing expenses (Appendix V)		(10,999,061)	(7,774,354)
Depreciation		(42,578,834)	(41,574,236)
(Loss) / Profit from operations	10	(31,603,483)	9,008,926
Other income	11	21,000	10,314
Net finance expense	12	(9,855,639)	(561,637)
(Loss) / Profit before taxation		(41,438,122)	8,457,603
Taxation	4	6,622,760	(7,480,365)
(Loss) / Profit after taxation		(34,815,362)	977,238
Earnings / (Loss) per share	13	(0.06)	0.00



MAHANAGAR TELEPHONE (MAURITIUS) LTD
Cash flow statement
For the year ended 31st March 2009

	Note	2009 (MUR)	2008 (MUR)
<u>Cash flow from operating activities</u>			
	Note		
(Loss) / Profit before taxation		(41,438,122)	8,457,603
Adjustments for:-			
Depreciation		42,578,834	41,574,236
Interest received		(2,100,254)	(1,608,244)
Operating (loss) / profit before working capital changes		(959,542)	48,423,595
Increase in trade and other receivables		(43,535,026)	(13,605,302)
Decrease in trade and other payables		(42,202,026)	(110,753,130)
Cash absorbed into operations		(86,696,594)	(75,934,837)
Interest received		2,100,254	1,608,244
Net cash outflows from operating activities		(84,596,340)	(74,326,593)
<u>Cash from Investing activities</u>			
Purchase of property, plant and equipment		(13,039,021)	(12,677,790)
		(97,635,361)	(87,004,383)
<u>Cash flows from financing activities</u>			
Issue of share capital		73,048,308	102,365,831
Net (decrease)/ increase in cash and cash equivalents		(24,587,053)	15,361,448
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		42,904,073	27,542,625
Cash and cash equivalents at the end of the year	6	18,317,020	42,904,073
Net (decrease)/ increase in cash and cash equivalents		(24,587,053)	15,361,448



MAHANAGAR TELEPHONE (MAURITIUS) LTD
Statement of Changes in Equity
For the year ended 31st March 2009

	Stated Capital MUR	Accumulated (Rupees) MUR	Total MUR
At 01 April 2006	269,255,262	(49,560,037)	219,695,225
Issue of share capital	122,566,451	-	122,566,451
Net loss for the year	-	(9,094,230)	(9,094,230)
Balance at 31 March 2007	391,821,713	(58,654,267)	333,167,446
Issue of share capital	102,365,831	-	102,365,831
Net profit for the year	-	977,238	977,238
Balance at 31 March 2008	494,187,544	(57,677,029)	436,510,515
Issue of share capital	73,048,308	-	73,048,308
Net loss for the year	-	(34,815,362)	(34,815,362)
Balance at 31 March 2009	567,235,852	(92,492,391)	474,743,461



MAHANAGAR TELEPHONE (MAURITIUS) LTD.

Notes to the financial statements for the year ended 31st March 2009

1. INCORPORATION

Mahanagar Telephone (Mauritius) Ltd is a private limited Company incorporated in Mauritius on 14 November 2003. The address of the registered office is MTML Tower, 30 Dr Eugene Laurent Street, Port Louis.

The main activity of the Company is to provide telecommunication services.

2. ACCOUNTING POLICIES

The principal accounting policies adopted by the company are as follows:-

(a) Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards.

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Functional and presentation currency

The financial statements are presented in Mauritian rupee (Rs) which is the Company's functional currency.

Use of estimates and judgement

The financial statements are prepared in accordance with International Financial Reporting Standards that require the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year.

(b) Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(c) Revenue recognition

Revenue relates to telephone services, data communication services, phone cards and other corollary services.

Revenue is recognised on an accrual basis and is net of discount. International revenue is derived



from outgoing calls from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the Company's network.

The Company pays a proportion of the international traffic revenue it collects from its customers to transit and destination network operators. These revenues and costs are stated gross in the financial statements. Amount payable and receivable from the same foreign network operators are shown net in the balance sheet where a right of set off exists.

(d) Taxation

Income tax on the profit or loss for the year comprises of current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be realised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Cash and cash equivalents

Cash comprises cash at bank and in hand, demand deposits and bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(f) Finance income and expense

Finance income comprises interest income and foreign exchange gains. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses comprises interest expense and foreign exchange losses. Interest expense is recognised in the income statement as it accrues using the effective interest method.

(g) Financial instruments and associated risks

Fair Value

The carrying amounts of the Company's financial assets and liabilities approximate their fair values.

Associated risks

The Company's activities expose it to various types of risk in the normal course of its business. The following summary is not intended to be comprehensive summary of all risks.

Credit risk

At balance sheet date there was not significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.



- *Currency risk*

The Company is exposed to foreign currency risk on its transactions that are denominated in currencies other than Mauritian rupee.

- *Interest rate risk*

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest earning financial asset is cash at bank. Interest income may fluctuate in amount, in particular due to changes in interest rates.

(h) Provisions

A provision is recognised in the balance sheet when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(i) Related parties

For the purpose of these financial statements, parties are considered to be related to the company if they have the ability, directly or indirectly, to control the company or exercise significant influence over the company in making financial and operating decisions, or vice versa, or where the company is subject to common control or common significant influence. Related parties may be individuals or other entities.

(k) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment.

(l) Foreign currencies

Transactions in foreign currencies are translated to Mauritian rupee at the exchange rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are



translated at the exchange rate ruling at the balance sheet date and gains or losses on transaction are recognised in the income statement.

(k) Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement in the period in which the impairment is identified.

(j) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of selfconstructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Subsequent costs

The cost of replacing part of an item of property, plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the branch and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in income statement as incurred.

Depreciation

Depreciation is recognised in income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Additions during the year bear a due proportion of the annual depreciation charge.

The annual depreciation rates used for the purpose are as follows:

Computer equipment	-	16.21 %
Furniture, fixtures and fittings	-	6.33 %
Office equipment	-	4.75 %
Motor vehicles	-	10.00 %
Plant and equipment	-	10.00 %

Gains and losses on disposal of property, plant and equipment are determined by reference to their written down value and are included in determining operating profit.



3. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment MUR	Furniture, fixtures MUR	Office equipment MUR	Motor vehicles MUR	Plant and equipment MUR	Total MUR
Cost						
At 01 April 2008	621,877	1,693,019	605,562	2,259,738	440,097,323	445,277,519
Additions	-	456,610	213,824	-	12,368,586	13,039,021
At 31 March 2009	621,877	2,149,629	819,386	2,259,738	452,465,909	458,316,540
DEPRECIATION	95,766					
At 01 April 2008	189,961	115,540	44,001	551,003	64,830,223	65,730,728
Charge for the year	95,766	120,178	33,190	214,675	42,115,025	42,578,834
At 31 March 2009	285,727	235,718	77,191	765,678	106,945,248	108,309,562
NET BOOK VALUE						
At 31 March 2009	336,150	1,913,911	742,195	1,494,060	345,520,661	350,006,978
At 31 March 2008	431,916	1,577,479	561,561	1,708,735	375,267,100	379,546,791

4. TAXATION

The Company is liable to income tax at the rate of 15 % (2008: 15%) on its profit as adjusted for tax purposes.

	2009 (MUR)	2008 (MUR)
Current tax charge	-	-
Deferred tax charge	(6,622,760)	7,480,365
Total tax expense in income statement	(6,622,760)	7,480,365
Reconciliation of effective taxation		
(Loss) / Profit before taxation	(41,438,122)	8,457,603
Income tax at 15%	(6,215,718)	1,268,640
Non-allowable expenses	1,107,356	15,518
Tax rate differential	(1,514,397)	6,196,207
	(6,622,760)	7,480,365
Deferred tax assets		
At 01 April 2008	9,464,576	16,944,941
Movement during the year	6,622,760	(7,480,365)
At 31 March 2009	16,087,336	9,464,576
Deferred tax assets are analysed as follows:		
Accelerated capital allowances	(28,931,079)	(36,189,991)
Tax losses	43,920,135	44,524,323
Provision for bad debts	1,098,280	1,119,327
	16,087,336	9,453,659



5. TRADE AND OTHER RECEIVABLES

	2009 (MUR)	2008 (MUR)
Trade receivables	117,079,603	115,076,844
Other receivables and prepayments	46,946,652	5,414,385
	164,026,255	120,491,229

6. CASH AND BANK BALANCES

	2009 (MUR)	2008 (MUR)
Cash in hand and at bank	21,585,109	42,904,073
Bank overdraft	(3,268,089)	-
Cash and cash equivalents in the cash flow statement	18,317,020	42,904,073

7. STATED CAPITAL

	2009 (MUR)	2008 (MUR)
Ordinary shares of no par value	567,235,852	494,187,544

8. ACCUMULATED LOSSES

	2009 (MUR)	2008 (MUR)
At 01 April 2008	(57,677,029)	(58,654,267)
(Loss) / Profit for the year	(34,815,362)	977,238
At 31 March 2009	(92,492,391)	(57,677,029)

9. TRADE AND OTHER PAYABLES

	2009 (MUR)	2008 (MUR)
Trade payables	35,280,589	72,357,542
Other payables	38,413,539	43,538,612
	73,694,128	115,896,154

10. TRADE AND OTHER PAYABLES

(Loss) / Profit from operations is arrived at after charging the following items:-

	2009 (MUR)	2008 (MUR)
Staff Costs	11,220,112	8,667,169
Depreciation on property, plant and equipment	42,578,834	41,574,236
Directors' emoluments	10,000	10,000
Auditors' remuneration	90,000	90,000
Number of employees at end of the year	16	16



11. OTHER INCOME

	2009 (MUR)	2008 (MUR)
Other Income	21,000	10,314

12. NET FINANCE EXPENSES

	2009 (MUR)	2008 (MUR)
Interest income	2,100,254	1,608,244
Foreign exchange gain	-	-
Finance income	2,100,254	1,608,244
Interest expense		
Foreign exchange losses	(11,955,893)	(2,169,881)
Finance expense	(11,955,893)	(2,169,881)
Net finance expense	(9,855,639)	(561,637)

13. (LOSS) / EARNINGS PER SHARE

The calculation of (Loss) / Earnings per share is based on net (Loss) / Profit for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 March 2009.

14. RELATED PARTY TRANSACTIONS

	2009 (MUR)	2008 (MUR)
The Company had the following transactions with related parties.		
Directors fees	10,000	10,000
Remuneration and other short term benefits to key management personnel	2,864,928	2,321,847

All related party transactions are priced on commercial terms and conditions.

15. HOLDING COMPANY

The holding Company is Mahanagar Telephone Nigam Ltd, a Government of India Enterprise.

16. COMMITMENTS

(a) Operations leases

Leases as lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:



	BTS sites MUR	Buildings MUR	Total MUR
Within one year	4,716,055	3,263,192	7,979,247
Between one year and five years	23,580,275	11,098,368	34,678,643
Over five years	6,765,945	2,774,592	9,540,537
	35,062,275	17,136,152	52,198,427

(b) Bank guarantee

There is a contingent liability not provided for in the accounts in respect of guarantees given to third parties amounting to Rs 7,931,909.

(c) Capital commitments

Capital expenditure contracted and not provided for in the accounts amount to Rs 51,774,394.

17. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholder through the optimisation of the debt and equity balance.

The capital structure of the Company consists of stated capital and retained losses.

18. FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow interest rate risk and other price risk), credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Company has assets and liabilities denominated in foreign currencies. Consequently, the Company is exposed to the risk that the exchange rate of the USD and INR relative to the foreign currencies may change in a manner which has a material effect on the reported values of the Company's assets and liabilities which are denominated in foreign currencies.

(i) Foreign exchange risk

	2009 (MUR)	2008 (MUR)
Categories of financial instruments		
<i>Financial assets</i>		
Trade and other receivables	164,026,255	120,491,229
Cash and cash equivalents	21,585,109	42,904,073
	185,611,364	163,395,302
<i>Financial liabilities</i>		
Trade and other payables	73,694,128	115,896,154



Foreign currency risk management

The company mainly transacts in Mauritian Rupees. The company did not engage in activities which would require foreign currency exposure hedging.

Currency profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	2009		2008	
	Financial Assets	Financial Liabilities	Financial Assets	Financial Liabilities
	USD	USD	USD	USD
Mauritian rupee	185,611,364	76,962,217	163,395,302	115,896,154
	<u>185,611,364</u>	<u>76,962,217</u>	<u>163,395,302</u>	<u>115,896,154</u>

(ii) *Interest rate risk management*

The Company's income and operating cash flows are substantially independent of changes in market interest rates. The Company's only significant interest earning financial asset is cash at bank. Interest income may fluctuate in amount, in particular due to changes in interest rates, however changes in interest rate will not have a material effect on interest income.

(iii) *Price risk*

The Company is not faced with any price risk.

(b) *Credit risk*

The Company has no significant concentration of credit risk.

(c) *Liquidity risk*

Liquidity risk is the risk that the Company is unable to meet its payment obligations, associated with its financial liabilities, when they fall due.

Prudent liquidity risk management implies maintaining sufficient cash. In addition, the Company has access to its group companies for its financing needs.

(d) *Fair value estimation*

The carrying values for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

19. POST BALANCE SHEET EVENT

There are no events subsequent to the date of the balance sheet which may have a material effect on the financial statement at 31 March 2009.



20. FINANCIAL SUMMARY

	2009 MUR	2008 MUR	2009 MUR	2008 MUR
Issued and Fully Paid Up				
Stated capital	<u>567,235,852</u>	<u>494,187,544</u>	<u>391,821,713</u>	<u>269,255,262</u>
Accumulated losses	<u>(92,492,391)</u>	<u>(57,677,029)</u>	<u>(12,534,940)</u>	<u>(49,560,037)</u>
Profit / (Loss) before taxation	<u>(41,438,122)</u>	<u>8,457,603</u>	<u>8,457,603</u>	<u>(17,836,949)</u>
Profit / (Loss) after taxation	<u><u>(34,815,362)</u></u>	<u><u>977,238</u></u>	<u><u>977,238</u></u>	<u><u>(13,420,803)</u></u>



MAHANAGAR TELEPHONE (MAURITIUS) LTD
Schedules to the Income Statement
For the year ended 31st March 2009

	2009 (MUR)	2008 (MUR)
I. Cost of sales		
ICTA Special account fee / Universal Service Fund Charges	2,134,538	14,356,443
Carrier charges	24,418,195	19,903,584
IPLC charges	6,398,594	7,234,326
Cost of subscribers acquisition	8,099,334	-
IUC charges	41,075,536	37,412,300
	82,126,197	78,906,653
II. Personnel expenses		
Salaries and allowances	10,385,423	8,120,756
Other benefits	834,689	546,413
	11,220,112	8,667,169
III. Licence fee		
PLMN	8,000,004	8,000,004
PSTN	8,000,004	8,000,004
ILD	1,999,992	1,999,992
Microwave	1,000,008	1,000,008
Spectrum	2,286,000	1,693,180
ISP	50,000	50,000
	21,336,008	20,743,188
IV. Administrative expenses		
Meeting expenses	161,200	124,951
Directors fees	10,000	10,000
Rental accomodation	1,389,824	1,242,307
Rental BTS sites	4,716,055	4,472,478
Rental of building	2,774,592	2,774,592
Rental of stores	139,935	74,666
Company Licence	6,000	6,000
Electricity	13,522,579	9,816,749



Water charges	21,023	14,024
Motor vehicle running expenses	918,010	997,933
Vehicle hire charges	901,669	957,775
Repairs and maintenance - mess	376,259	321,213
Fuel for BTS	349,100	93,216
Repairs and maintenance - office	1,297,054	770,340
CRBT Expenditure	298,329	-
Repairs and maintenance - shop	-	128,986
Printing	1,046,722	876,333
Stationery	344,371	202,906
Communication expenses	1,719,566	1,702,906
Bank charges	585,235	488,794
Library books	1,849	2,807
Horticulture expenses	18,000	10,300
Computer consumables and repairs	-	187,308
Professional charges	144,372	347,084
General expenses	189,774	130,124
Entertainment	60,503	103,450
Cuttlery expenses	-	21,783
Repairs for office equipment	17,563	53,887
Commission and brokerage fees	7,045,258	6,931,489
Office insurance	410,999	102,926
Security charges	484,987	538,326
Rates and taxes	1,510,307	1,313,189
Provision for bad debts	7,321,867	7,462,178
	47,783,002	42,281,020

V. Marketing expenses

Electricity for shops	222,498	25,746
Club membership	75,000	-
Rent of shops	1,785,228	515,329
Call centre charges	4,592,884	3,074,820
Printing expenses	-	110,710
Publicity and advertisement	4,323,451	4,038,149
Website development and maintenance	-	9,600
	10,999,061	7,774,354



ECS MANDATE FORM

MAHANAGAR TELEPHONE NIGAM LTD.
REGD OFFICE: JEEVAN BHARTI BUILDING, TOWER I, 12TH FLOOR,
124, CONNAUGHT CIRCUS, NEW DELHI - 110 001

For shares held in Physical Mode Please complete the form and mail to the Company

Shares held in Electronic Mode should inform respective DPs

Dear Sir/Madam,

Change in mode of payment to ECS

I hereby consent to have the amount of dividend on my equity shares credited through the Electronic Clearing Service (ECS). The particulars are:-

1. Folio No./Client ID No. _____
(folio No. given in equity share certificate(s)/Customer ID Nos. given by your DPs)
2. Shareholder's Name _____
3. Shareholder's Address _____
4. Income Tax Permanent Account No. _____
5. Particulars of the Bank
Bank Name _____

Branch name and address _____

Telephone Nos. of Bank _____

The 9 digit code number of the Bank and branch appearing on the MICR cheque issued by the bank: _____

(please attach the photocopy of a cheque or a cancelled bank cheque issued by your bank for verifying the accuracy of the code number)

Account type (please tick) • Savings • Current • Cash Credit

Account number : _____

(as appearing on the MICR cheque book)

6. Date from which the mandate should be effective: _____

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information or non-availability of ECS facility with company's banks at my place/city, I would not hold the Company/Registrar & Share Transfer Agents of the Company responsible. I also undertake to advise any change in the particulars of my account to facilitate updation of records for purpose of credit of dividend amount through ECS).

Signature of the first/sole shareholder

Place:

Date:





MAHANAGER TELEPHONE NIGAM LIMITED
Registered Office : Jeevan Bharti, Tower-I, 12th Floor,
124, Connaught Circus, New Delhi-110 001

PROXY

NAME **FOLIO NO.** **NO. OF SHARES**
DP- Id* Client Id*
I/We of in the district of
..... being member (s) of Mahanager Telephone Nigam Ltd. hereby appoint Shri/Smt
..... of in the district of or failing him/her, Shri/Smt
..... of in the district of a. as my/our proxy to attend and vote on my/our behalf at the 23rd
Annual General Meeting of the Company to be held on 25th September, 2009 at 3.00 P.M. or any adjournment thereof.
Date Signature

Note:

1. The proxy need NOT be a member
 2. The Form signed across the revenue stamp of requisite value should reach the Company's Registered Office at least 48 hours before the meeting.
- * Applicable in the case of shares held in electronic form.

Please note that no gifts of any sort would be distributed at the AGM.

MAHANAGER TELEPHONE NIGAM LIMITED
Registered Office : Jeevan Bharti, Tower-I, 12th Floor,
124, Connaught Circus, New Delhi-110 001

ADMISSION SLIP

NAME **FOLIO NO.** **NO. OF SHARES**
DP- Id* Client Id*

I hereby record my presence at the 23rd Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at FICCI Golden Jubilee Auditorium, Tansen Marg, New Delhi-110 001 on 25th September, 2009 At 3:00 P.M..

NAME OF PROXY, IF APPLICABLE (IN BLOCK LETTERS)

1. Members/proxies are requested to bring the duly signed Admission Slip to the meeting and hand it over at the Registration Counter.

* Applicable in the case of shares held in electronic form.

Please note that no gifts of any sort would be distributed at the AGM.



Lifeline of Delhi & Mumbai