MTNL

Twenty Fifth
Annual Report
2010-11

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Nav Ratna Company)

MTNL

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”.

MTNL

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MTNL

BOARD OF DIRECTORS
(AS ON 17.08.2011)

Shri Kuldip Singh	Chairman & Managing Director/ Director (Technical)
Smt. Anita Soni	Director (Finance)
Shri S.P. Pachauri	Director (HR)
Shri Adit Jain	Director
Shri V.S. Iyer	Director
Dr. Vijay Aggarwal	Director
Shri T.S. Narayanasami	Director
Dr. Rajan Saxena	Director
Shri Malay Shrivastava	Director
Smt. Nirmala Pillai	Director

COMPANY SECRETARY

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

M/s Goel Garg & Co.
Chartered Accountants
18, National Park, Lajpat Nagar - IV,
New Delhi – 110 024
Phone : 011 41636825,826

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 : 011-23765269/23328280, Fax : 011-23716655
E-mail : mtnligrc@bol.net.in

25th Annual General Meeting on Thursday, September 29, 2011 at 11.30 A.M. at NDMC Indoor Stadium, Talkatora Garden, Near Ram Manohar Lohia Hospital, New Delhi-110001

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

MTNL

NOTICE

NOTICE is hereby given that the Twenty Fifth Annual General Meeting of the members of **Mahanagar Telephone Nigam Limited** will be held on **Thursday, 29th September 2011** at **11.30 A.M.** at **NDMC Indoor Stadium, Talkatora Garden (Near Ram Manohar Lohia Hospital), New Delhi-110001** 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, 2011 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 appoint directors in place of those retiring by rotation:

   (a) To appoint a director in place of Dr. Vijay Aggarwal, who retires by rotation and being eligible, offers himself for reappointment.

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

   (c) To appoint a director in place of Shri Malay Shrivastava, who retires by rotation and being eligible, offers himself for reappointment.

3. To fix the remuneration of the Statutory Auditors appointed by the comptroller & Auditor General of India for the financial Year 2011-12.

By order of the Board

For **MAHANAGAR TELEPHONE NIGAM LIMITED**

sd/-

(S.R. SAYAL)

Company Secretary

Place : New Delhi
Date : 1st September, 2011

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 27th September to 29th September 2011. (Both days inclusive).
3. The Members are requested to notify immediately change of address and e-mail address, if any, to :-
   (i) The company's Registrar & Transfer Agent, M/s. Beetal financial & Computer Services (P) Ltd. 3rd Floor, Beetal House 99,Madangir, Behind Local Shopping Centre Near Dada Harsukhdas Mandir, New Delhi - 110 062 in case the shares are held in physical form and
   (ii) to the respective Depository Participant (DP) with whom the members are having their Demat Accounts, in case the shares are held in electronic form.
4. All the documents referred to in the Notice and Explanatory Statement will be available for inspection by the Members at the Registered Office of the Company between 11.00 a.m. and 01.00 p.m. on all working days from the date hereof upto the date of the Meeting.
5. Members desirous of getting any information about the accounts and /or operations of the Company are requested to write to the Company at least seven days before the date of the Meeting to enable the Company to keep the information ready at the Meeting.
6. The annual report of the Company circulated to the Members of the Company, will be made available on the Company's website at www.mtnl.net.in.
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 may avail of the nomination facility as provided under Section 109A of the Companies Act, 1956.
9. Members are requested to note that the Company's equity shares are under compulsory demat trading for all investors, pusuant to the provisions of SEBI Circular No. 21/99 dated July 8, 1999. Members are, therefore, requested to dematerialise their shareholding if not done so far, to avoid inconvenience.
10. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to our Registrar and Transfer Agent, for consolidation into a single folio.

11. Pursuant to Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed amount of dividends paid up to 2002-2003, to the General Revenue Account/ Investor Education and Protection Fund of the Central Government. The amount of Unclaimed Dividend upto the Financial Year ended 31st March, 2004 would be transferred to the IEPF as such members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 2004 and /or subsequent years are requested to submit their claims to the Company without any delay.

12. As per the Circular Nos. 17/2011 dated April 21, 2011 and 18/2011 dated April 29,2011 issued by the Ministry of Corporate Affairs (MCA) to enable electronic delivery of notices/ documents and annual reports to shareholders, the company proposes to implement "Green Initiative" from next year. Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts which will be peridically downloaded from NSDL/ CDSL will be deemed to be your registered email address for serving notices/documents including those covered under Section 219 of the Companies Act, 1956. The Notice of AGM and the copies of Audited Financial Statements, Directors' and Auditors' Report, etc. will also be displayed on the website www.mtnl.net.in of the Company and the other requirements of the aforesaid MCA circular will be duly complied with.

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

PLEASE NOTE THAT NO GIFTS OF ANY SORT WOULD BE DISTRIBUTED AT THE AGM AND BRING YOUR COPY OF ANNUAL REPORT TO THE VENUE OF AGM AS A ECONOMIC MEASURE.

BY Order of the Board

For MAHANAGAR TELEPHONE NIGAM LIMITED

sd/-

(S.R. Sayal)

Company Secretary

Palce : New Delhi

Date : 1st September 2011

MTNL

DIRECTOR'S REPORT

To

The Shareholders
of **Mahanagar Telephone Nigam Limited**

Dear Shareholders,

Your Directors present the 25th Annual Report of your Company together with the Statement of Accounts and Auditors' Report as well as comments of Comptroller & Auditor General of India on the Accounts for the financial year ended on March 31, 2011.

While India is widely acknowledged as the world's fastest growing telecom market, it enjoys around 60 per cent teledensity. Thus, there is still good margin for growth as far as Pan India operations are concerned. However, since the operations of your company are limited to Delhi & Mumbai, where teledensity is much higher we also need to find out other means to grow. 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 pathbreaking initiatives will not only broaden our subscriber base but also offer our millions of customer's real choice in Landline, CDMA and GSM (2G & 3G) networks.

The advent of broadband has revolutionized back office functions across the world. 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 build 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 2010-11 are given below:-

(In Million Rs.)

		2010-11	2009-10
Income from Services		36739.52	36561.00
Expenditure (excluding' Interest & prior period Adjustments)		63148.03	84754.69
Operating Profit /(Loss)		(26408.51)	(48193.69)
Other Income		3180.44	14017.23
Interest	4519.46	12.61	
Profit/(Loss) before tax		(27747.53)	(34189.07)
Tax provision for the year		1.91	(3551.14)
Prior Period Adjustments		269.71	(4528.21)
Net Profit / (Loss) for the year		(28019.15)	(26109.72)
Appropriation			
Interim/Proposed final dividend		0.00	0.00
Dividend Tax		0.00	0.00
Transfer to:			
a) Contingency Reserve		0.00	0.00
b) Reserve for R&D		0.00	0.00
c) General Reserve		(25631.20)	0.00
SOURCES AND USES OF FUNDS			
Authorised Capital		8000.00	8000.00
Issued, Subscribed & paid-up Capital		6300.00	6300.00
Reserves & Surplus		60164.81	111714.10
Secured and unsecured loan		74556.75	0.00
Deferred Tax Liability (Net)		0.00	0.00
REPRESENTED BY			
Fixed Assets (Net Block)		163230.30	165549.76
Investment		4946.58	5095.37
Net Current Assets		(38693.47)	(87940.76)
Deferred Revenue Expenditure		0.00	0.00
Capital Work-in-Progress		11538.15	11779.60

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

DIVIDEND

Since there has been no operating profit during the financial year 2010-11, the Board of Directors of your company expressed its inability to recommend any dividend for the year under report.

SUBSIDIARY AND JOINT VENTURE COMPANIES

Your company has two subsidiary and two Joint Vjentures companies namely:-

(i) Millennium Telecom Ltd. (MTL):

MTL was originally formed by MTNL as a wholly owned subsidiary company basically for providing internet and other value added services in the year 2000. In the year 2008, MTL had planned to lay sub-marine cable (under sea cable) from Indian Coasts to Middle East and then to Europe. The DOT had directed MTNL to take BSNL as 50% partner in the said project. MTL being 50:50 Joint Venture of MTNL and BSNL had invited Global Tender for laying of Submarine Cable. However, because of decline in bandwidth prices, high cost of laying the cable, various operational and financial reasons, the Board of MTL had cancelled the tender in 2010.

The Board of MTL has decided to enter into new line of business which could be telecom related as well as other areas.

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

MTML is a 100% subsidiary of MTNL. The company is having license for fixed telephone service, mobile service, international long distance services and internet services. During the year 2010-11, MTML's ®customer base has increased from 104,032 (as on 31/3/2010) to its 108,886 (almost full) on 31/03/2011, out of its equipped capacity of 110K. The company is managed by CEO, CTO, CFO and 10 more officers all on deputation from the parent company. Other operations are managed through outsourcing.

MTML continued to provide telecom services viz., Fixed Wrieless Phone, Mobile (Post paid & Prepaid), Internet Services through Fixed Wireless Phones, High Speed Data cards and International Long Distance Call Services through CAC,VCC/ACC cards. MTML has achieved a turn-over of INR 499 Million during this fiscal year 2010-11 compared to the last fiscal year turn-over of INR 389 Million through these telecom services(an increase of 28.2%). MTML has earned a net profit of INR 43 Million (before tax) in this fiscal year compared to last fiscal year's net profit (before tax) of INR 9.6 Million.(increase of 347%)

During this fiscal year, MTML has completed the High-speed Data connectivity through expansion of the EVDO network all over the island by augmenting its resources from 15 BTS to 53 BTS. The Acceptance & Testing is under progress and the services are planed to be launched in the first quarter of the fiscal year 2011-12. As the existing capacity of the CDMA is already fully utilised, the network expansion through new integrated switch for GSM & CDMA was carried out and the installation has commenced in Nov-2010 and the GSM services are planned to be launched in the fiscal year 2011-12.

During this year 2010-11, MTML has constructed its own technical building of two floors to house its technical installations at a cost of INR 20 Million. The paid-up capital of the company is enhanced from INR 854.12 Million to INR 1052 Million.

(iii) 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 5, 74,339 in numbers and the PCOs are 1223. UTLs engineering team follows the O & M procedures scrupulously thereby ensuring fault free network round the clock. The Management closely monitors the overall performance of the network. The quality of services, parameters, subscriber complaints, fault rates, BTS wise traffic and ILD traffic are continuously kept under watch.

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

During the period ending 31st March 2011 (2010-2011), the company has reported a net profit of INR 73,456,410.

(ii) MTNLSTPI IT Services Ltd. (MTNLSTPI)

The Joint Venture was incorporated on 31/03/2006 under the Companies Act, 1956, with authorized Capital of Rs. 50 crores. The main objective of the JV Company is to provide exclusive data center services, messaging services, business application services to the identified sectors of economic activity and thereby also popularizing the “India.in” domain.

In order to implement the above said activities, the JV Company has taken space of around 11000 sq.ft Super Built-up areas from STPI-Chennai and established a physical infrastructure of Tier-III Data Centre.

The commercial exploitation of the data centre has already commenced in 2009 and the Ministry of External Affairs (MEA) has hosted its Passport Seva Project through M/s TCS.

Keeping in view of smooth operation and expansion needs of the Data Center, MSITS created suitable infrastructure components like LT extension panel, UPS panel, PAC panel and Server DB which were installed and integrated in the live Data Center. Also MSITS is in the process of doing the caging in the Data center to support other collocation requirements.

In addition the existing facility at Chennai, it has been planned to setup Green Data Centers at Hyderabad and New Delhi. In this regard a space of around 10000sq.ft and 8000 sq.ft area have been identified at Narela New Delhi and Solitaire Building, Madhapur, Hyderabad respectively. MSITS has floated RFP and identified consultant for establishing Green Data Center.

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2010-11 (31.03.2011)

S. No	Parameters	Delhi	Mumbai	Total
1	Number of switches	352	222	574
2	Equipped Capacity	6346995	6544315	12891310
	(a) Fixed Phones including WLL Fixed Phones	2771995	2677085	5449080
	(b) WLL	550000	542230	1092230
	(c) GSM	3025000	3325000	6350000
	DLC capacity	160152	119006	279158
	Digitalization % lines	100	100	100
3	DELs*	4189680	4753433	8943113
4	Details of Net DELs			
	(a) Fixed Line	1546432	1917537	3463969
	(b) WLL-Fixed	27671	89508	117179
	(c) WLL-Mobile	109598	52892	162490
	(d) GSM	2505841	2693496	5199337
5	Broadband			
	(a) Subscribers	426772	515545	942317
	(b) Capacity (in ports)	786192	836980	1623172
6	IPTV	10172	4018	14190
7	VOIP	2466	2661	5127
8	Internet connection	621083	878007	1499090
	(a) Prepaid	20184	818	21002
	(b) Postpaid	600899	877189	1478088
9	Payphones	65237	110320	175557
10	ISDN	8796	16936	25732
11	DLC (No)	425	523	948
12	Tax Capacity	150,000	155,200	305,200
13	Tandem Capacity	402,500	432460	834960
14	Optical fiber cable			
	(a) In Route KMs	8129.98	7195.25	15325.23
	(b) In Fiber KMs	251610.37	215523.76	467134.13
15	Leased Circuits	14897	39775	54672
16	Replacement of PCUT Cable (in LKCM)	30.78	15.711402	46.491402

*including WLL fixed, WLL mobile & GSM

HUMAN RESOURCE DEVELOPMENT

The Telecom industry in India is undergoing through a volatile phase and fate of the organization 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 43311 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. Almost 4000 employees were separated through 03 VRS. During 2003 to 2006

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. Inhouse training programmes are also conducted for executives and non executives at ITTM (Institute of Telecom Training and Management) located at Shadipur, New Delhi.

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 ad interactions between Management and Unions/Associations and action as mutually agreed was taken to settle them. Recently we have signed wage agreement with recognised unions for a period of 10 years effective from 1/1/2007.

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

MTNL has made a provision of temporary cct 8 Mbps for a period of 15 days for DCP (Communication) for organising Bhagidari Fair at Pragati Maidan, New Delhi, free of cost in the interst of Public. The actual cost incurred by MTNL was Rs. 501880/-. MTNL has also taken other intiatives like free SMS's regarding pulse polio, other messages of social activities of general awareness of the public, etc.

MANPOWER STATUS

As on 31st March 2011 your Company had a strength of employees as per details given next page:-

MTNL Employees working strength as on 31.3.2011.

Group	Working	SC	ST
A	1183	208	52
B	5110	724	105
C	25536	4432	498
D	11459	2656	863
Total	43288	8020	1518
DRM	23	0	0
Grand Total	**43311**	**8020**	**1518**

VIGILANCE

The Vigilance organization of MTNL is headed by Chief Vigilance Officer. He is an officer of the rank of Joint Secretary, Govt. of India. Presently Shri Khushi Ram, IRSSE, is the CVO of MTNL. The CVO is responsible for complete vigilance administration. During the period 2010-11 emphasis was laid on efficiency and transparency in working and various steps were taken to empower customer oriented services of the organization. Training programmes/seminars and workshops have been conducted during the period to update the knowledge and skills of the officers working in vigilance.

The Vigilance Awareness Week was celebrated from 25.10.10 to 1.11.10. During this week various activities like display of banners, pledge taking, release of booklets on DO'S and DON'T'S for internal circulation in MTNL and display of pamphlets related to anticorruption on notice board were observed.A guest lecture was delivered by Joint Director (Policy) CBI North Block on 28.10.10 during vigilance awareness week. As per directions of Central Vigilance Commission, SMS was sent to mobile users of MTNL for lodging complaint at toll free no 1800-11-0180. Interaction with field staff and customers was undertaken to further improve the customer services.Information booklets indicating various services provided by MTNL were distributed to customers through Sanchar Haats. Monthly vigilance meetings were held regularly at Delhi and Mumbai to monitor the progress of Vigilance/Disciplinary cases and remedial action was taken for timely settlement of the case. Regular inspections were carried out by Vigilance officers and corrective action suggested whenever required. The training on Vigilance and Disciplinary proceedings courses were conducted on 19.7.10 to 23.7.10 and 6.12.10 to 10.12.10. The seminars on different activities were also organized. To maintain the transparency in procurement, the e –tendering system has been introduced.

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:-

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

(Rs. In Million)

Earned :	37.30
Expenditure in Foreign Currency	34.52

CORPORATE GOVERNANCE

Your company follows the principles of effective corporate governance practices. The Company has taken steps to comply with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges. MTNL also comply with the Corporate Governance Guidelines enunciated by Department of Public Enterprises, Government of India for Government Companies. 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 Clause 49 of the Listing Agreement and DPE Guidelines is attached to this report.

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

The Company is in the process of implementing the "Green Initiative" as per Circular No. 17/2011 dated April 21, 2011 and Circular No. 18/2011 dated April 29, 2011 issued by Ministry of Corporate Affairs to enable electronic delivery of notices/documents and annual report to shareholders and as per the said circular. Henceforth all notices etc. shall be issued electronically.

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 revised 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.

Shri Kuldip Singh continued to be Director (Technical) and Chairman and Managing Director of MTNL, Smt. Anita Soni continued to be the Director (Finance) of the Company and Shri S.P.Pachauri continued to be the Director (HR) of the Company respectively. Shri Adit Jain, Shri V.S.Iyer, Shri Rajan Saxena, Shri T.S.Narayanasami and Shri Vijay Aggarwal continued to be the Independent Directors of the Company.

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

1. Smt. Usha Sahajpal ceased to be director of the company w.e.f 30/04/2011.
2. Shri N.K.Joshi, DDG (SU), Department of Telecommunications (DOT) was appointed as a Director w.e.f. 12/08/2010 and ceased to be a Director w.e.f 10/08/2011.
3. Shri Malay Shrivastava, Joint Secretary (Telecom), DOT has been appointed as a Government Director in place of Shri N.K.Joshi ,DDG(SU), DOT w.e.f. 10/08/2011.
4. Smt. Nirmala Pillai, Senior DDG (WPF), DOT has been appointed as a Government Director w.e.f. 10/08/2011.

The Board placed on record its deep appreciation for the valuable services and contribution made by Smt. Usha Sahajpal and Shri N.K.Joshi during their 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 2011-12 and the board has already ratified their appointment. They were our Statutory Auditors for the Financial Year 2009-10 and 2010-11 also.

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**

sd/-
(Kuldip Singh)
CHAIRMAN AND MANAGING DIRECTOR

PLACE : NEW DELHI
DATE : 10th August, 2011

MTNL

CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2010-11 is given below:-

1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE

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

2. BOARD OF DIRECTORS

The Company has a broad based Board with an optimum mix of Executive and Non-Executive Directors. The Board consists of three Executive and seven Non-Executive Directors. Five Non-Executive Directors are independent i.e. they do not have any material pecuniary relationship with the Company, its promoters or its management, which may affect the independence of the judgment of the Director.

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

NAME	CATEGORY	DIRECTORSHIP IN OTHER COMPANIES	MEMBERSHIP IN OTHER COMMITTEE
Sh. Kuldip Singh	Chairman and Managing Director & Director (Technical)	Chairman: MTNLSTPI-IT Services Ltd., MTML,MTL Director: UTL	
Smt. Anita Soni	Director (Finance)	Director: MTNLSTPI-IT Services Ltd., MTL,MTML	Permanent Invitee in Audit Committee of MTNL, HR Committee of MTNL – Member, Remuneration Committee of MTNL – Member

Sh. Satya Prakash Pachauri	Director (HR)	Director: MTL, MTNLSTPI-IT Services Ltd.	Member – HR Committee and Remuneration Committee.
Shri Adit Jain	Part- time Director	Director - Shriram Transport Fin.Co.Ltd., IMA, India Pvt. Ltd., IMA,Corporate Advisory Services Pvt. Ltd., EIU India Pvt. Ltd., PR Pundit Public Relations Pvt. Ltd., Indosolor Ltd., Engineers India Ltd.,	Chairman-Compensation Committee: Shri Ram Transport Fin. Co. Ltd. Chairman-Audit Committee, Remuneration Committee- Indorsolor Ltd., Member-Audit Committee- Engineers India Ltd. and MTNL Member Advisory Board-Sanmar Group, BMR Associates, Trustee- Centre for Civil Society, Adit Jain Foundation, member Audit committee of MTNL
Shri V.S. Iyer	Part- time Director	Director: Ruttonsha International Rectifiers Ltd. Prop.: Iyer & Associates	Member- Audit Committee - Ruttonsha International Rectifiers Ltd. Member- Finance Committee of MTNL. Member- Investor Grievances Committee of MTNL and Member - Audit committee of MTNL.
Dr. Vijay Aggarwal	Part- time Director	---	Member- HR Committee of MTNL. Member- Remuneration Committee of MTNL.

Shri T.S. Narayanasami	Part- time Director	MD & CEO - United Stock Exchange of India Ltd. Non- Executive Chairman & Director- Experian Credit Information Company of India Director : Axis Asset Management Company Ltd., ITI Ltd.,Central Depository Services Ltd.,Indraprastha Medical Corporation Ltd.,LICHFL Asset Management Pvt. Co. Ltd., Asia Motors Works,Krishna Knitwear Technology Ltd.	Member-Audit Committee: Axis Asset Management Company Ltd. Member-Remuneration Committee: Axis Asset Management Company Ltd. Chairman- Audit Committee of MTNL. Member- Finance Committee of MTNL.
Dr. Rajan Saxena	Part- time Director	Director- Lodha Developers ltd., Anuvi Chemicals Ltd. Future Generali India Insurance Company Limited, Future Generali Life Insurance Company Limited, Macrotech Constructions Pvt ltd,Adinath Builders Pvt. Ltd Vice Chancellor- Sukm's Narsee Monjee Institute of Management studies (NMIMS) Chairman & Board of Governors - Sanghvi Intt. of Mgmt. & Sciences, Indore Director- BSE Institute	Member- HR Committee of MTNL. Member- Remuneration Committee of MTNL.
Shri Malay Shrivastava	Director (Government Nominee)		Member - Business Development committee and H R Committee
Smt. Nirmala Pillai	Director (Government Nominee)		Member - Audit Committee and finence committee

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 2010-11, a total of 11 meetings were held from 01/04/2010 to 31/03/2011 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 13th October, 2010	Remarks
Sh. Kuldip Singh	11/11	100	Yes	
Smt. Anita Soni	11/11	100	Yes	
Sh. Satya Prakash				
Pachauri	11/11	100	Yes	
Smt. Usha Sahajpal	11/11	100	Yes	
Sh. Adit Jain	6/11	55	Yes	
Sh. V.S. Iyer	9/11	82	No	
Sh. Vijay Aggarwal	10/11	91	Yes	
Shri T.S. Narayanasami	7/11	64	Yes	
Dr. Rajan Saxena	8/11	73	No	
Shri Nirmal Kumar Joshi	8/8	100	No	Assumed office on 12.08.2010

DETAILS OF BOARD MEETINGS HELD DURING 2010-11

No. of directors present are as under:-

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	260	07.05.2010	New Delhi	10/10
2	261	13.05.2010	New Delhi	9/10
3	262	22.06.2010	New Delhi	7/9
4	263	12.08.2010	New Delhi	9/10
5	264	24.09.2010	Mumbai	10/10
6	265	03.11.2010	New Delhi	9/10
7	266	30.11.2010	New Delhi	9/10
8	267	22.12.2010	New Delhi	8/10
9	268	05.01.2011	New Delhi	8/10
10	269	11.02.2011	New Delhi	8/10
11	270	01.03.2011	New Delhi	7/10

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 2010-11".

Sd/-
(Kuldip Singh)
Chairman & Managing Director

PLACE: New Delhi
DATE: 07^{th} , September, 2011

17. 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:-

1.	Shri T.S. Narayanasami	Chairman
2.	Shri V. S. Iyer	Member
3.	Shri Adit Jain	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 9 meetings during the year 2010-11.

The attendance of the members of the committee at the Committee Meetings from 01/04/2010 to 31/03/2011was as under:-

S. No.	Name of Director	No. of meetings	Attended (%)
1.	Smt. Usha Sahajpal, Chairperson	9	9
2.	Shri V. S. Iyer	9	8
3.	Shri Adit Jain	9	5
4.	Smt. Anita Soni, Director (Finance)	9	9

Shri T.S.Narayanasami, Independent Director has been nominated as Chairman of Audit Committee w.e.f.30/04/2011.

4. REMUNERATION COMMITTEE:

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

1) Shri Adit Jain – Member

2) Dr. Vijay Aggarwal – Member

3) Shri S.P.Pachauri, Dir (HR) – Permanent Invitee

4) Smt. Anita Soni, Dir (Fin.) – Permanent Invitee

5) Shri S.R.Sayal –Secretary

5. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE

Pursuant to clause 49 of the Listing Agreement, a Shareholders/Investors' Grievances Committee exists in MTNL to look into the investors' complaints, if any, and to redress the same expeditiously. The Committee reviews all matters connected with the Shares/Securities' transfers. The Committee looks into redressing of shareholders complaints like non-receipt of Annual Report, non receipt of dividends, etc. The Committee also oversees the performance of the Registrar and Transfer Agents, and recommends measures for overall improvement in the quality of investors services. Presently the Committee consists of the following:-

1.	Shri.V.S.Iyer	Director	Chairman
2.	Dr. Vijay Aggarwal	Director	Mwmer
2.	Smt. Anita Soni,	Director (Finance)	Permanent Invittee
3.	Shri S.R. Sayal,	Company Secretary	Secretary

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

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

No. of Share holders' complaints Received during the year 2010-11	No. of Shareholders complaints Solved	No. of Shareholders complaints pending as on 31.03.2011
23	23	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 011-23327225, Fax 011-23716655

LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETINGS WERE:

Nature of meeting	Date and Time	Venue
24th Annual General Meeting	13th October, 2010, 11.30 P.M.	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001
23rd Annual General Meeting	25th September, 2009, 03.00 P.M	FICCI Golden Jubilee Auditorium, Tansen Marg New Delhi-110 001

22nd Annual General Meeting	26th September, 2008, 03.00 P.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 had complied all the major mandatory requirements and also adopted some of the non-mandatory requirements of clause 49 of the Listing Agreement as well as DPE Guidelines as applicable.

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

(v). Integrity Pact – MTNL has a Memorandum of Understanding (MOU) with Transparency International India (TII) for implementing an Integrity Pact Programme focused on enhancing transparency in its business transactions, contracts and procurement process.Under MOU, MTNL is committed to implementing the Integrity Pact in all its major procurement and work contract activities.Three Independent & External Monitors being persons of eminence nominated by TII in consultation with Central Vigilence Commission (CVC), monitor the activities. The Integrity Pact has strengthened the established system and procedures by creating trust and has the full support of CVC.

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.

11. GENERAL SHAREHOLDER INFORMATION:

i. Date and Time of AGM – 29th September 2011, 11.30 A.M.

ii. Venue NDMC Indoor Stadium, Talkatora Garden, Near Ram Manohar Lohia Hospital, New Delhi-110001

iii. Financial year - 1st April 2010 to 31st March 2011

iv. Financial Calendar -

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2011	30th June, 2011
Submission of Audited Accounts to C&AG of India	3rd July, 2011
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30th June 2011	2nd week of August, 2011 (10th Aug. 2011)
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30th September 2010	1nd week of November, 2011
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31st December 2011	2nd week of February, 2012
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31st March 2011	2nd week of May, 2012

v. Dates of Book Closure - 27th September, 2011 to 29th September, 2011

vi. Dividend Payment Date - N.A.

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

(a) The Delhi Stock Exchange Association Limited Scrip code - '13069'

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

(c) The Calcutta Stock Exchange Association Limited Scrip code - 23036

(d) Madras Stock Exchange Limited Scrip code - MTP

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

(f) New York Stock Exchange Scrip code - 'MTE'

The Listing Fee for the Financial Year 2011-12 has been paid to all stock exchanges.

(b) Demat ISIN Numbers in NSDL & CDSL - INE 153A01019

The Annual Custodian Fees for the year 2011-12 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 and NSE is given here under:-

Bombay Stock Exchange (BSE)

Month	High Price	Low Price	Close Price	Volume (No. of Shares Traded)
April 2010	78.20	70.85	71.15	4272922
May 2010	72.10	54.15	55.50	6648301
June 2010	54.80	51.80	66.25	19700217
July 2010	69.90	63.95	67.35	11562380
August 2010	70.35	60.80	61.10	5458962
September 2010	67.90	55.00	62.15	5932428
October 2010	71.50	62.55	67.40	13729415
November 2010	72.75	49.65	52.90	10167574
December 2010	57.50	49.55	54.65	6535952
January 2011	58.45	47.10	48.05	4520302
Feb 2011	52.45	38.00	40.50	4564680
March 2011	46.95	40.15	45.45	6272282

National Stock Exchange (NSE)

Month	High Price	Low Price	Close Price	Traded Quantity (No. of Shares Traded)
April 2010	78.75	70.70	71.05	14314921
May 2010	72.10	54.05	55.50	19114185
June 2010	66.90	52.95	66.35	57220677
July 2010	73.80	61.85	67.40	34028488
August 2010	70.35	60.10	61.20	18227407
September 2010	66.50	61.30	61.95	21741452
October 2010	71.50	62.30	67.50	37950205
November 2010	72.70	49.10	52.75	32217439
December 2010	57.00	45.10	55.00	15513993
January 2011	58.50	46.85	48.10	18617827
Feb 2011	48.55	38.50	40.35	16047242
March 2011	46.80	40.25	45.35	19569308

The Opening Price on BSE as on 01/04/2010 is Rs. 73.50 and NSE as on 01/04/2010 is Rs. 73.50.

The Closing Price on BSE as on 31/03/2011 is Rs. 45.45 and NSE as on 31/03/2011 is Rs. 45.35

(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 completed 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) Information on Shareholding

(a) Shareholding Pattern of MTNL as on 31st March, 2011.

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as a % of Total number of Shares
1.	President of India	354378440	56.25
2.	Mutual Funds	307265	0.05
3.	Financial Institutions/Banks	132250491	20.99
4.	Foreign Institutional Investors	34335975	5.45
5.	Bodies Corporates	19417511	3.08
6.	Individuals	48814757	7.75
7.	Trusts	140740	0.02
8.	NRI and Foreign Corporate Bodies	3096374	
9.	Clearing Members	387997	0.49
10.	HUF	2372584	0.06
11.	Shares held by Custodians and against which Depository Receipts have been issued	34494366	0.38 5.48
12.	Any other	3500	
	GRAND TOTAL	630000000	100

(b) Distribution of Shareholding as on 31st March, 2011.

Share Holding of Nominal Value of Rs.	No. of Share holders	% to Total	No. of Shares	Amount in Rs.	% to Total
1 TO 5000	137487	89.88	17277753	172777530	2.7425
5001 TO 10000	8275	5.41	6748627	67486270	1.0712
10001 TO 20000	3719	2.43	5707453	57074530	0.9059
20001 TO 30000	1180	0.77	3036002	30360020	0.4819
30001 TO 40000	596	0.39	2138875	21388750	0.3395
40001 TO 50000	435	0.28	2065714	20657140	0.3279
50001 TO 100000	637	0.42	4687307	46873070	0.7440
100001 and above	633	0.41	588338269	5883382690	93.3870
TOTAL	152962	100.00	63,00,00,000	6,30,00,00,000.00	100.0000

Note: - Nominal Value Of Each Share/Unit is Rs 10

(xii) Dematerialization of shares and liquidity

As on 31st March 2011, 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) Plant Locations

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

Investors' correspondence may be addressed to:

Shri S.R.Sayal,Compliance Officer and Company Secretary
Mahanagar Telephone Nigam Limited
Jeevan Bharti Building,Tower I, 12th floor,124 Connaught Circus,New Delhi - 110 001
Tel: 91 11 23327225, 23328280Fax: 91 11 23716655
Website: www.mtnl.net.in / www.bol.net.in
E-mail Id: csco@bol.net.in

BRIEF RESUME OF DIRECTORS PROPOSED TO BE REAPPOINTED AT THE ANNUAL GENERAL MEETING (PURSUANT TO CLAUSE 49 OF LISTING AGREEMENT WITH THE STOCK EXCHANGES

1) Dr. Vijay Aggarwal - Independent Director

Dr. Vijay Aggarwal has been our Director w.e.f 29.3.2010. Dr. Vijay Aggarwalis Professor and Chairperson of Operations Management at the Management Development Institute, Gurgaon. He is an engineering graduate of 1970 in Mechanical and Industrial Engineering from the Indian Institute of Technology, Bombay. He has received his M.S. and Ph.D. in Operations Research and Computer Science in 1973 from the Case Western Reserve University, Cleveland (USA).

He has been a consultant to several organizations and has undertaken action research and developmental projects funded by NSERC, CIDA, USAID, UNDP, ESCAP and EU-Asia.

He has several research publications covering various facets of management and decision sciences in major national and international refereed journals. He has received a range of awards, honors and recognitions including key editorial board roles on some of the prestigious international journals.

2) Shri T.S. Narayanasami - Independent Director

Shri T.S. Naraynasami has been our Director w.e.f. 29.3.2010. Shri T.S. Naraynasami is Bachelorof Science. He has worked in various capacity in Union Bank of India upto December 2000. Thereafter he held the position of Executive Director PNB from December 2002 to April 2004. He was Chief Managing Director of Andhra Bank from April 2004 to May 2005, Chief Management Director of Indian Oversees Bank from June 2005 to May 2007 and Chief Managing Director of Bank of India from June 2007 to May 2009. He has held various important positions in the Banking and Financial Sector like GIC, Indian Institute of Banking and Finance, Governing Board of Institute of Banking, National Institute of Bank Management, Primary market advisoryCommittee of SEBI etc. Presently he is Director Asset Management Company ,Axis Mutual Fund, Managing Director and CEO of United Stock Exchange of India.

3) Shri Malay Shrivastava – Director (Government Nominee)

Shri Malay Shrivastava is an IAS officer of M.P.Cadre of 1990 batch. Shri Shrivastava is Mechanical Engineer passed in 1985. He had been topper in the University and also the Gold Medalist. Prior to joining IAS in 1990, he has served M/s BHEL during 1985-88 and Indian Railway Stores Service (IRSS) through Combined Engineering Services Exam duing 1988-90. Shri Shrivastava has joined DOT as Joint Secretary, Telecom in October, 2010. Before Joining as Joint Secetary, he has worked as Assistant Collector, SDM, Additional Collector, Distt. Collector, Managing Director, M.P State Coop. Marketing Federation & M.P. State Coop. Oil Federation, Registrar, Coop. Societies M.P., Commissioner & Secretary, Urban Development, M.P, PS to Minister of State for Personnel, PG & Pensions, Govt. of India, Director, Ministry of Power, Govt. of India, PS to Minister of State for Power, Govt. of India, New Delhi.

He has visited various Countries for Study Tours namely U.K., France, Switzerland, Australia, Italy, Greece, Netherlands, Mexico, China, South Korea & Japan. He has also attended various training programmes both Domestic and Foreign

4) Smt. Nirmala Pillai - Director (Government Nominee)

Ms Nirmala Pillai is presently working as Sr. DDG (WPF), DOT (HQ), New Delhi. She joined the All India Post & Telegraph Accounts and Finance Service (Class-I) in 1979. Prior to the present posting as Sr. DDG (WPF), she worked as GM (TF) Bombay, GMT Maharashtra Telecom Circle, Controller of Communications Accounts (CCA), Kerala, Dept. of Post, Maharashtra Postal Circle from July, 1981 upto April, 2010.

V. K. SHARMA & CO.
Company Secretaries
422, Ocean Plaza, Sector-18, Noida
Tel. : 0120-4221470, Mobile : 9811009592
E-mail : vks_cosecy@yahoo.com

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

To

The Shareholders

1.We have examined the compliance of the conditions of corporate governance by Mahanagar Telephone Nigam Limited (hereinafter referred as the 'company') for the year ended on 31st March 2011 as stipulated in clause 49 of the Listing Agreement of the said company with stock exchanges in India

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

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

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

Place: New Delhi

for V.K.SHARMA & CO.
Company Secretaries

sd/-

Date: 16 August 2011

(**Vijay Sharma**)
FCS: 3440

MANAGEMENT DISCUSSIONS & ANALYSIS

This discussion contains forward looking statements, the performance of the company for the year 2010-11 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.

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. MTNL is providing services 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. Further, the Government is considering to grant spectrum for 3G services at additional fees, the quantum of which is not yet certain. In case such fee is high for 3G spectrum, it will have ad adverse impact on the cost of the services and the price at which MTNL would be able to provide it to its customers. This might in-turn lead to underutilization of the equipment to its optimum capacity. The Capex recovery for the 3G services would also take longer time with consequential effect on the finances. Regulatory policies cannot be foretold and may at time, be such as to affect the financials of the company.

MANPOWER RISKS

There are about 43,311 employees of the company and major portion of revenue is spent on staff. In comparison of the staff costs of other operators, it is about 7.44% of the revenues. This is a major risk which the company faces, as it has little flexibility in the matter and may have to continue to carry the cost. The certain issues are pending for want of settlement with Department of Telecommunications (DOT). These relate to payment of pension, gratuity, leave encashment to DOT employees absorbed in MTNL. For the absorbed employees whose pension is being paid by MTNL, DOT has not yet borne its share for the period of services These relate to payment of pension, gratuity, leave encashment to DOT employees absorbed in MTNL. For the absorbed employees whose pension is being paid by MTNL, DOT has not yet borne its share for the period of service rendered by the employees as government staff under DOT. While the Pension Trust to be set up by DOT is still pending, employees have refused to accept pension from such a trust as they have asked for the pension to be paid by the Govt., as in the case of their colleagues who have been absorbed in BSNL. The matter is receiving the attention of the concerned authorities and the outcome shall have an impact on MTNL's finances.

The absorption process of Group 'A' officers is not fully settled and there is a risk of their repatriation which may cause a degree of discontinuity in provision of existing services and shall hamper development work.

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 attachés 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.

COMPLIANCE RISKS

There is a major requirement of clause 49 under the listing agreement that half of the Board of Director should be the independent director of the company.

OTHER RISK

There are various other types of risks in terms of rising cost of operations due to increase in power/fuel cost, rentals for tower sites are going up day by day. Moreover, availability of the tower site is very big issue due to interference by some authorities and RWA, etc..

RISK MINIMISATION STRATEGY

i) In order to face market risk, MTNL is diversifying into new services and has been pushing cellular mobile telecom services very effectively. 414884 cellular connections were provided during 2010-11 to bring up the total cellular connections to 51,99,337 by 31.3.2011. Broadband services are being offered by MTNL at very affordable tariffs and 942317 customers had been provided broadband till 31.3.2011. and as on 31.3.2011 we have about 14190 subscribers for IPTV service. MTNL has also provided Digital Signature service which would be very helpful in future to increase the revenue. In order to overcome the restriction of operation in limited areas of Delhi and Mumbai (and their adjoining areas in the case of cellular mobile telecom service) MTNL has branched out to obtain licenses for providing telecom services in Nepal and Mauritius. The joint venture in Nepal, i.e. M/s. United Telecom Limited' and the subsidiary in Mauritius 'M/s Mahanagar Telephone Mauritius Limited' have started operations already. MTNL is also trying to gain entry in NCR and Mumbai Suburb for basic service and also trying to obtain the ILD license from the licensor.

ii) MTNL is constantly upgrading its technology to keep it state of the art. MTNL introduced ADSL 2+ in Broadband network and IPTB based on MPEG-4 part 10. Citiwide backbones based on IP over MPLS technology have been added in both Delhi & Mumbai.

iii) MTNL strongly represents its point of view to the policy makers and the regulator with respect to areas which impact MTNL's interest i.e. reduction of license fee specifically in case of wireline service and remove the license fee in case of non-telecom revenue.

iv) Efforts have been made to reduce the staff strength by offering Voluntary Retirement Schemes. In addition, heavy attrition by way of normal retirement is expected in 2011-12.

v) The settlement of pending issues relating to pension etc. of the absorbed employees, has been taken up with DOT and efforts are being made to press for their resolution. MTNL is trying to enter into diversified business to overcome from this problem so that excess staff can properly be utilized and staff cost could be met by new business.

vi) A strong drive has been launched for realization of outstanding dues. Targets have been set for each of the units and performance is closely monitored. Recovery Agents have been appointed for old outstanding cases. All these efforts have already shown results

vii) MTNL has referred this to DOT. Recently one more independent director has joined MTNL Board. For minimizing the compliance risk and other related risk liability the company has taken the risk cover of US $ 25 million for directors and officers.

viii) As far as rising cost of operations is concerned, efforts are being made to reduce administrative/operative expenditure for greater operational efficiency. For acquiring the tower sites, RWAs and concerned authorities are being contacted for resolving the issue.

Annual Accounts
2010-11

Bansal Sinha & Co.
Chartered Accountants
18/19, Old Rajinder Nagar,
New Delhi-110060
Ph.: 25853424,25722270

Goel Garg & Co.
Chartered Accountants
18, National Park, Lajpat Nagar- IV
New Delhi-110024
Ph.: 41636825,826

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, 2011, 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. 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-I, 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-I referred to in paragraph 3 above and subject to:

   a) Note No.4 (a & b) regarding maintenance of a provision for income tax amounting to Rs. 4003.31 million for the years 1997-98 to 1999-2000 on account of disputed claim of deduction under section 80IA whereas the similar claims for subsequent years involving a tax liability of Rs. 4138.30 Million have been shown as Contingent Liabilities. In view of the pending disputes with the Income Tax Departments at the High Court level, we are unable to comment on the adequacy or otherwise of the provision held in this regard.

   b) Note No. 4 (c) regarding accounting of Income tax and interest thereon of Rs. 105.16 million pending appeal effects and Rs. 4873.93 million pending rectifications are subject to adjustment as per the final orders to be passed by the Income Tax Department. The balances appearing in Advance Tax, Provisions for Income Tax and Interest on income Tax Refund are subject to reconciliation with the figures of the Income Tax Department.

   c) Note No. 34 (II) regarding the provision for employees benefits which have been made on the basis of actuarial valuation. The issue being technical, we are unable to comment on the adequacy or otherwise of these provisions.

   d) (i) Note No. 26 regarding booking of income for Rs. 2850.00 million towards wet lease for infrastructure and other services provided in respect of Commonwealth Games out of which Rs. 430.00 million is subject to acceptance and final settlement and non booking of additional claim of Rs. 410.00 million which is also subject to acceptance and final settlement.

   (ii) Non availability of relevant records pertaining to contracts with M/s. HCL Infosys Ltd on account of Commonwealth Games Project as the same are informed to be taken by the investigating agencies. In view of the above, we are unable to comment on the lapses, if any, of internal control in awarding the contract.

   e) Note no. 17(c) (i) & (ii) regarding reconciliation of Cenvat Credit Receivable as per books with the balance outstanding as per CENVAT records maintained by the company for service tax purposes and accounting of service tax for transactions with BSNL. The resultant impact, if any, on the financial statements for the year can not be ascertained.

f) License Fee to the DOT is being worked out on accrual basis as against the terms of License Agreements according to which the expenditures/ deductions from the Gross revenue are allowed on actual payment basis in respect of the Public Switching Telecom Network (PSTN) related call charges and roaming charges payable to BSNL and other service provider.

g) Note No.15(a)&(b) regarding the amounts recoverable from DOT/ 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 and Note No. 16 regarding non provision of certain claims of the BSNL on account of signaling charges, Transit tariff, MP Bills, IUC Claims and IUC claims of MTNL rebutted by BSNL, Service Connection billing, Duct charges, TAX usage charges, infrastructure and other 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. Beside, Note no. 23 regarding non provision for interest payable/ receivable on balances during the year due to absence of agreement between the company and DOT/BSNL for interest recoverable/ payable on current account, except charging of interest on GPF claims receivable from DOT.

h) The company has allocated the establishment overheads as per Annexure P and Administrative overheads as per Annexure Q. The company's policy in this regard needs to be made more realistic & scientific and the same should avoid capitalizing the loss due to idle time of labour and machines.

i) Note No.40 regarding non provision of impairment of assets in terms with Accounting Standard 28.

j) Non provision of LTC/ encashment of LTC not availed by the employees, bonus for last two years(amount unascertained) and Non provision of actuarial liability on account of medical expenses for retired employees in view of the Insurance policy being taken by the company and yearly premium is charged every year.

k) 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.

l) Accounting Policy No. 2 (iv) regarding valuation of scrapped/decommissioned assets which are not being revalued every year.

m) Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts.

n) Note No. 24 regarding non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the yearend for the purpose of wealth tax provisions.

o) Note No.20 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.

p) Note No 14(b), regarding balance in subscribers' deposits account of Rs.7206.33 Million and interest accrued thereon of Rs.22.25 Million, unlinked receipts from subscribers Rs.417.41 Million are subject to reconciliation (Refer Note No. 3). Balance of sundry debtors as per Ageing Summary is short by Rs. 89.51 Million with comparison to balance is general ledger though the same has been fully provided for (Refer Note No. 13 and 14(c)). 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.

q) 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

r) 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.

s) Note No.12 regarding the Bank Reconciliation Statements as at 31st March, 2011 include the unmatched/ unlinked credits and debits aggregating Rs.78.03 million and Rs.71.36 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.

t) Note No. 25 regarding non provision for ADCC recoverable from Project Development Company and non accounting of interest thereon in absence of explicit agreement to that effect.

u) Note No.4 (d) regarding non deduction of tax at source on services received from BSNL and treatment of the expenditure on account of Pension liability on the basis of actuarial valuation as an allowable expense based on experts opinion.

v) Note No. 27 regarding a technical fraud involving a loss of Rs.258.94 million which was observed during the previous year and another case observed during the year for excess franchise commission paid for which amount is not ascertainable at this stage; however, no provision for the same has been made in the accounts as the cases are still under investigation.

w) The loss on account of unusable subscriber's instruments has not been ascertained and provided for.

x) Note no. 2 regarding non ascertainment of Contingent liabilities and the estimated amount of the contracts of capital nature yet to be executed in respect of some of the units.

y) Note No. 32 regarding no availability of 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.

z) Non availability of information about the transactions required to be entered in the registers maintained under section 301 of the Companies Act, 1956.

aa) The Company 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 company has received from subscribers.

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.

v) Gross Block of scrapped/ decommissioned fixed assets, Accumulated Depreciation and Net Block separately.

The overall impact of matters referred to in the preceding paras on the loss 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) 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 Million 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. 2);AS -15 regarding Accounting for Retirement Benefits in the Financial Statements of Employers (Refer Note No.34); AS 17 regarding Segmental Reporting: AS- 18 regarding disclosure of related party transactions; AS -19 regarding Leases: AS -28 regarding Impairment of Assets (Refer Note No. 40); 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. 4 (c) regarding non creation of Deferred Tax Assets amounting to Rs.15932.20 million due to absence of virtual certainty of taxable profits in future against which the said asset could be realized.

b) Note No. 18(e) regarding the issue of pension liability on account of absorbed employees is yet to be settled with the DOT which will have substantial impact on the profitability of the company.

c) Note No.11 regarding over dues of Rs.1000 million on account of Cumulative preference Shares of one of the Govt. company which have considered good on the basis of comfort letter issued by the concerned Ministry.

d) Note No. 22 regarding retaining of outstanding liability of Rs.925.98 Million on account of decommissioned assets pending arbitration case.

e) Note No. 17 (b) regarding accounting of Liquidated Damages subject to acceptance by the parties.

f) Note No. 19 regarding non provision of diminution in the value of investments in subsidiaries and joint ventures.

g) 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.

h) Revenue from pre paid services has been recognized on the basis of SIM activated and its usage output generated through system and certified by the management being a technical matter.

i) Expenditure on replacement of assets, equipments, instruments and rehabilitation work is capitalized 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.

j) Non provision for CDMA instruments which are faulty and un returnable for less than three years having WDV of Rs.126.30 million should also be provided for as provision for loss of assets.

k) TDSAT judgment on the issue of components of "Other Income" for the purpose of calculation of license fee has not been adopted pending the decision of the Hon'ble Supreme Court of India on the appeal of the DOT on this judgment of the TDSAT. In view of the uncertainty involved, we are unable to comment on the amount of license fee being calculated in this regard.

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, 2011;

(b) in the case of the Profit & Loss Account, of the Loss 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.

For Bansal Sinha & Co.
Chartered Accountants
FRN- 06184N

sd/-

(Ravinder Khullar)
(Partner)
(Mem. No. 82928)

For Goel Garg & Co.
Chartered Accountants
FRN – 00397N

sd/-

(Ajay Rastogi)
(Partner)
(Mem. No. 84897)

Place: New Delhi
Date: June 30, 2011

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 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 except that the identification number is not mentioned in respect of office machinery and equipments. The 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, lines and wires, furniture & fixtures and electrical appliances were physically verified in accordance with programmed 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. 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, detailed physical verification report was not made available for the verification.

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

3. Due to Non availability kinformation about the transactions required to be entered in the registers maintained under section 301 of the Companies Act, 1956 we are unable to comment on the same.

4. 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. In our opinion the internal control procedures needs to be further strengthened in regard to procedures with respect to the purchases under tenders floated and evaluated, appointment and reviewal/ renewal of service contracts of consultants and lawyers. 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 ageing 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. In respect of pending insurance claims of theft, fire and damage cases, related parties transactions, Compliance of TDS provisions of the Income Tax Act 1961, more conscious perusal and follow up at apt interval is required.

5. 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.

6. As informed to us, the Company has not accepted any deposits from the public during the year within the meaning of section 58 A of the Companies Act, 1956 and the rules framed there under. Therefore, the directives issued by the Reserve Bank of India are not applicable.

7. In our opinion, the Internal Audit System of the company is not commensurate with the size of the Company and the nature of its business. Moreover, 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.

8. The Central Government has prescribed the maintenance of cost records under clause (d) of sub section (1) of section 209 of Companies Act, 1956 i.e. 01.04.2003. The company has maintained the required Cost Records for the year 2009-2010 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 31.03.2011, 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. However, as at the year end there has been some delay in remitting funds to the Trust.

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

Local Sales Tax and Central Sales Tax / VAT:

(i) Sales Tax

Delhi Unit

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	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	1914095	0	2006-07	Addl. Comm. Sales Tax
Delhi Sales Tax Act	26524858	0	2007-08	Addl. Comm. Sales Tax
TOTAL	365583127	807425298		

The unit has already deposited Rs. 154733054/- out of the total disputed liability stated above.

Mumbai Unit

Name of the Statute	Nature of Dues	Amount under dispute deposited	Year to which amount relates	Forum where the dispute is pending
BST ACT	Assessed Amount	672968	1993-94	MSTT
BST Act	Asse ssed Amount	52693370	1996-97	DC
BST Act	Assessed Amount	3514698437	1997-98	Jt. Commr. of Sales Tax Appeals
BST Act	Assessed Amount	59424662	1998-99	MSTT
BST Act	Assessed Amount	1013116938 35201675	1999-2000	Jt. Commr. of Sales Tax Appeals MSTT
BST Act	Assessed Amount	54329094	2000-01	MSTT
BST Act	Assessed Amount	101128984	2001-02	Jt. Commr. of Sales Tax Appeals
BST Act	Assessed Amount	49102898	2002-03	MSTT
BST ACT	Assessed Amount	2161090302	2003-04	Jt. Commr. of Sales Tax Appeals
BST ACT	Assessed Amount	1015717015	2004-05	Assessment order received on 19.4.2011. appeal to be filed.
		3381368293		

(ii) Service Tax

Name of the Statute	Amount (Rs)	Period	Authority where pending
Delhi Unit			
Service Tax Act	770447	2007-08	CESTAT
Service Tax Act	59476320	2006-07 & 2007-08	CESTAT
Service Tax Act	42472842	2004-05	CESTAT
Service Tax Act	6826503	2005-06	CESTAT
Service Tax Act	633391	2006-07	CESTAT
Service Tax Act	209390	2007-08	CESTAT
Service Tax Act	110670398	Penalty	CESTAT
Mumbai Unit			
Service Tax Act	4100000	2003-04	CESTAT
Total	225159291		

Statutory dues which have not been deposited in respect of Mumbai MS unit as on 31-03-2011.

S.No	Nature of dues	Amount Under dispute not deposited (Rs)	Forum where the dispute is pending
1	Installation of BTS Site	2909233	CESTAT
2	Installation of BTS Site	3210353	CESTAT
3	Installation of BTS Site	2617816	CESTAT
4	Service tax demand 2003-04	2080000	Jt. Comm. (Appeals)
	Total	10817402	

(c) It may be noted that at present, no Rules relating to the amount of cess for rehabilitation or revival or protection of assets of sick industrial companies, payable by a company under section 441A of the Act have been notified by the Central Government. Thus, we are not able to comment on the regularity or otherwise about on this particular issue.

10. The company has no accumulated losses, however the company has incurred cash losses amounting to Rs. 13917.68 million during the year covered by our Audit and Rs. 8514.78 million in the immediately preceding financial year.

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

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

13. The Company is not a Chit Fund or a Nidhi Mutual Benefit Fund / Society. Accordingly, clause 4(xiii) of the order is not applicable.

14. The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, clause 4(xiv) of the Order is not applicable.

15. According to the information and explanation given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions. Accordingly, clause 4(xv) of the Order is not applicable.

16. According to the information and explanation provided by the management, we report that during the year Company has taken term loans from financial institution and utilized the same for the purpose for which it was taken.

17. According to the information and explanations given to us and on an overall examination of Balance sheet of the company, we report that no funds raised on short term basis have been used for long term investment by the company.

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 except as reported in Note No. 27 (b) of Schedule T. The details with regard to status of frauds till 31.03.2011 have not been provided to us as such provision in this regard, if any, could not be ascertained.

For Bansal Sinha & Co.
Chartered Accountants
FRN- 06184N

sd/-

Ravinder Khullar
(Partner)
(Mem. No. 82928)

For Goel Garg & Co.
Chartered Accountants
FRN – 00397N

sd/-

Ajay Rastogi
(Partner)
(Mem. No. 84897)

Place: New Delhi
Date: June 30, 2011

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

	Schedule	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	6,300.00	6,300.00
Reserves & Surplus	B	60,164.81	111,714.10
Loan and OD from Banks	C	74,556.75	0.00
Total		**141,021.56**	**118,014.10**
APPLICATION OF FUNDS			
Fixed Assets	D		
Gross Block		293,779.84	282,757.66
Less : Depreciation & Amortisation		130,549.54	117,207.91
Net Block		**163,230.30**	**165,549.75**
Capital Work-in-Progress	E	**11,538.15**	**11,779.60**
Investments	F	**4,946.58**	**5,095.37**
Current Assets, Loans & Advances			
Inventories	G	1,254.81	1,585.12
Sundry Debtors	H	6,100.90	7,200.37
Cash & Bank Balances	I	1,401.80	48,753.90
Other Current Assets	J	1,228.44	3,115.91
Loans & Advances	K	93,844.41	105,000.08
		103,830.36	**165,655.36**
Less : Current Liabilities and Provisions			
Current Liabilities	L	56,057.01	170,944.46
Provisions	M	86,466.82	82,651.66
Net Current Assets		**(38,693.47)**	**(87,940.76)**
Profit and Loss Account Debit Balance 2009-10		0.00	23,530.14
	Total	**141,021.56**	**118,014.10**
Accounting Policies & Notes to Accounts	T		

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

For and on behalf of Board

sd/-	sd/-	sd/-	sd/-
(S.R.Sayal)	**(R.Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Co. Secy.	Dy. G M (Accounts)	Director(Finance)	Chairman & Managing Director

In terms of our report of even date

For Bansal Sinha & Co.	**For Goel Garg & Co.**
Chartered Accountants	Chartered Accountants
FRN: 06184N	FRN: 00397N
sd/-	sd/-
(Ravinder Khullar)	**(Ajay Rastogi)**
(Partner)	(Partner)

Place : New Delhi

Date : 30th June, 2011

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Profit & Loss Account for the year ended 31st March, 2011

		As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
INCOME			
Income from Services	N	36,739.52	36,561.00
Other Income	O	3,180.44	14,017.23
		39,919.96	**50,578.23**
EXPENDITURE			
Employees' Remuneration other than retirement Benefits	P	17,103.38	19,681.41
Employees' Remuneration for retirement Benefits-Provisions (includes actual payouts Rs.3477.84 Million (Previous Year Rs.2610.53 Million))	P	15,482.10	29,981.09
Revenue Sharing		4,432.46	5,256.78
Licence Fee		2,875.91	3,837.02
Administrative,Operating & Other Expenses	Q	9,152.69	8,403.44
Depreciation & Amortisation	D	14,101.48	17,594.94
Interest	R	4,519.46	12.61
		67,667.49	**84,767.30**
Profit/(Loss) Before Tax		**(27,747.53)**	**(34,189.07)**
Provision for Tax		1.91	1.82
Provision for Deferred Tax		0.00	(3,552.96)
Profit/(Loss) After Tax		**(27,749.44)**	**(30,637.93)**
Prior Period Adjustments	S	(15.67)	351.50
Taxes for earlier period(s)		285.38	(4,879.71)
Profit/(Loss) For the Year		**(28,019.15)**	**(26,109.72)**
Transfer from Contingency Reserve		2,387.95	2,579.58
Profit/(Loss) available for Appropriation		**(25,631.20)**	**(23,530.14)**
Appropriations :			
Transfer to/ (from) General Reserves		(25,631.20)	0.00
Profit and loss account debit balance 2009-10		**0.00**	**(23,530.14)**
		(25,631.20)	(23,530.14)
Earning Per Share			
Basic/Diluted earnings per share (in Rs.) (Refer Note 38)		**(44.47)**	**(41.44)**
Accounting Policies & Notes to Accounts	T		

The Schedules referred to above form an integral part of the Profit & Loss Account.

For and on behalf of Board

sd/-	sd/-	sd/-	sd/-
(S.R.Sayal)	**(R.Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Co. Secy.	Dy. G M (Accounts)	Director(Finance)	Chairman & Managing Director

In terms of our report of even date

For Bansal Sinha & Co.	**For Goel Garg & Co.**
Chartered Accountants	Chartered Accountants
FRN: 06184N	FRN: 00397N
sd/-	sd/-
(Ravinder Khullar)	**(Ajay Rastogi)**
(Partner)	(Partner)

Place : New Delhi

Date : 30th June, 2011

SCHEDULES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2011

Schedule A

Share Capital

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (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 1.4.2010 (Rs in Million)	Addition during the year (Rs in Million)	Deduction/Adjustments* during the year (Rs in Million)	As at 31.3.2011 (Rs in Million)
Share Premium	6,650.05	0.00	0.00	6,650.05
Share Premium (Prev. Year)	(6,650.05)	0.00	0.00	(6,650.05)
General Reserve	98,229.79	0.00	49,161.34	49,068.45
General Reserve (Prev. Year)	(98,229.79)	0.00	0.00	(98,229.79)
Reserve For Contingencies	6,526.26	0.00	2,387.95	4,138.31
Reserve For Contingencies (Prev. Year)	(9,105.84)	0.00	(2,579.58)	(6,526.26)
Reserve For Research & Development	308.00	0.00	0.00	308.00
Reserve For Research & Development (Prev. Year)	(308.00)	0.00	0.00	(308.00)
TOTAL	**111,714.10**	**0.00**	**51,549.29**	**60,164.81**
(Previous Year)	**(114,293.68)**	**0.00**	**(2,579.58)**	**(111,714.10)**

* Adjustments during the year includes amount reduced from General Reserves to the tune of Rs.23530.14 million pertaining to the previous year 2009-10. The same had been shown as a distinct item captioned" Proft and loss account debit balance 2009-10" on the face of the balance sheet during the year 2009-10.

SCHEDULE C

Loan and OD from Banks

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Long Term Loans (Secured)		
PNB LONG TERM	200.00	0.00
(Floating first pari passu charge on all fixed & current assets & letter of comfort from DoT)		
IDBI LONG TERM	25,339.70	0.00
(Floating charge ranking pari passu with other lenders on the fixed & current assets)		
Unsecured		
a. Short Term Loans		
AXIS BANK (3G)	10,000.00	0.00
UBI	4,800.00	0.00
CBI (BWA)	15,000.00	0.00
b. Overdrafts (OD)		
FEDERAL BANK OD	2,988.84	0.00
BOB OD	5,001.33	0.00
DENA BANK OD	3,000.79	0.00
IOB OD	8,226.09	0.00
	74,556.75	**0.00**

SCHEDULE – D : FIXED ASSETS

Description	Gross Block (Rs In Million)					Depreciation & Amortisation (Rs. In Million)				Net Block (Rs In Million)	
	As At 1.4.2010	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2011	As At 1.4.2010	For The Year	Sales/ Adjustments During The Year	As At 31.3.2011	As.at 31.3.2011	As.at 31.3.2010
Intangible Assets:											
- Application Software	564.83	135.80	-	-	700.62	175.08	64.98	-	240.06	460.56	389.75
- 3G & BWA Licence Fees	110,979.70	-	-	-	110,979.70	10,386.90	6,304.64	-	16,691.54	94,288.16	100,592.80
Land:											
- Freehold	190.48	-	-	-	190.48	-	-	-	-	190.48	190.48
- Leasehold	2,817.16	347.40	-	-	3,164.57	363.83	29.99	-	393.82	2,770.75	2,453.33
Building	12,643.22	455.97	15.32	1.41	13,082.47	3,695.50	451.77	2.40	4,144.86	8,937.61	8,947.72
Leased Premises	52.92	0.60	-	-	53.52	9.25	1.06	-	10.31	43.21	43.67
Lines & Wires	978.47	21.96	3.88	-	996.56	636.65	29.39	0.04	666.00	330.56	341.83
Cable	71,197.73	979.22	19.59	0.45	72,156.91	49,734.24	2,092.98	1.15	51,826.07	20,330.84	21,463.50
Apparatus & Plant	76,507.60	10,724.36	593.21	1,100.72	85,538.04	48,136.12	4,750.48	751.72	52,134.87	33,403.17	28,371.48
Vehicles	311.92	13.92	(2.95)	7.65	321.15	267.13	12.80	8.79	271.14	50.01	44.79
Furniture & Fixtures	1,457.67	30.03	-	0.01	1,487.69	1,000.03	59.17	0.01	1,059.19	428.50	457.64
Office Machinery & Equipments	374.22	3.22	2.28	1.17	374.00	224.40	14.54	1.75	237.19	136.80	149.82
Electrical Appliances	1,448.20	15.03	0.98	1.44	1,460.80	698.72	63.52	1.68	760.56	700.24	749.47
Computers	2,979.56	28.48	0.51	4.14	3,003.39	1,880.07	236.33	2.46	2,113.94	889.45	1,099.49
Assets Scrapped/Decommissioned	253.96	56.17	40.19	-	269.94	-	-	-	-	269.94	253.96
Total	**282,757.66**	**12,812.17**	**673.00**	**1,116.99**	**293,779.84**	**117,207.90**	**14,111.64**	**770.00**	**130,549.54**	**163,230.30**	**165,549.75**
Previous Year	**162,932.76**	**120,651.93**	**726.35**	**100.68**	**282,757.66**	**100,094.42**	**17,643.05**	**529.56**	**117,207.91**	**165,549.75**	**-**

Notes:

1. Additions during the year include adjustments on account of value difference, spill over cost etc indentified during the year in respect of existing fixed assets.
2. Depreciation charged during the year includes:

	Rs. in Million
a) Depreciation for the year	14,101.48
b) Depreciation/adjustment relating to prior period	10.16
c) Depreciation written back	–
	14,111.64

SCHEDULE E

Capital Work-in-Progress

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Buildings	1,336.04	719.12
Apparatus & Plants	7,189.50	8,807.55
Lines & Wires	46.66	34.75
Cables	2,163.21	1,724.64
Subscribers' Installations	289.49	218.20
Air Conditioning Plants	533.88	295.97
Less: Provision for Abandoned Works	(20.62)	(20.62)
	11,538.15	**11,779.60**

SCHEDULE - F

Investments

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (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.11)	1,000.00	1,000.00
INVESTMENT IN SUBSIDIARY COMPANIES		
Millennium Telecom Ltd. (Un Quoted 2875880 Equity shares of Rs.10 each fully paid up)	28.76	28.76
Mahanagar Telephone Mauritius Ltd. (Un Quoted 673744899 Equity Share of MUR 1 (INR 1.5384) each fully paid up)	1,036.49	835.68
INVESTMENT IN JOINT VENTURES		
United Telecom Ltd. (Un Quoted 5736200 Equity Share of Nepali Rs.100 (INR 62.50) each fully paid up)	358.51	358.51
MTNLSTPI IT Services Ltd. (Un Quoted 2282000 Equity share of Rs.10 each)	22.82	22.82
OTHERS		
Investment in LICMF Income Plus Fund-Daily Dividend Plan	0.00	349.60
Investment in Un Quoted 11.5% fully paid up Bonds of Maharashtra Krishna Valley Development Corporation Ltd. (Redemption in the Year 2012)	2,500.00	2,500.00
	4,946.58	**5,095.37**

SCHEDULE - G

Inventories (At Cost)

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Stores and Spares:		
Building Materials	0.46	0.46
Lines & Wires	17.99	30.40
Cables	622.74	849.25
Exchange Equipments	489.20	535.54
WLL Equipments	6.34	12.90
Telephone & Telex instruments	211.55	255.51
WLL Instruments	160.82	170.96
Telephones & Telex Spares	1.05	1.31
Installation Test Equipments	4.07	0.21
Store - in -Transit (including others)	0.00	0.38
Mobile Handsets & Sim Cards	23.58	29.15
	1,537.79	**1,886.07**
Less: Provision for obsolete stores	282.98	300.95
	1,254.81	**1,585.12**

SCHEDULE - H

Sundry Debtors (Unsecured)*

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Outstanding for a Period Exceeding Six Months		
Considered Good including service tax Rs.323.30 Million (Previous Year Rs.549.92 Million)	2,262.84	3,255.87
Considered Doubtful including service tax Rs.1095.02 Million (Previous Year Rs.854.49 Million)	6,373.93	5,703.09
Other Debts		
Considered Good including service tax Rs.285.28 Million (Previous Year Rs.200.67 Million)	1,950.60	1,110.33
Considered Doubtful including service tax Rs.0.86 Million (Previous Year Nil)	8.31	0.00
Income Accrued from services	1,082.25	2,415.50
	11,677.94	**12,484.79**
Less: Provision for doubtful debts	5,557.69	5,268.44
Less: Provision for wrong billing	19.35	15.98
	6,100.90	**7,200.37**

SCHEDULE - I

Cash & Bank Balances

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Cash in hand (including cheques in hand Rs.77.79 Million) (Previous year Rs.39.58 Million)	95.08	31.81
Balance with Scheduled Banks		
In Current Accounts	1,138.83	973.17
In Fixed Deposit Accounts	173.60	47,753.77
Balance with Non-Scheduled Banks		
In Current Account (Refer Note 31)	5.66	5.66
	1,413.17	**48,764.41**
Less: Provision for Doubtful Bank Balances	11.37	10.51
	1,401.80	**48,753.90**

SCHEDULE - J

Other Current Assets

(Unsecured Considered Good)

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Interest Accrued on Deposits with Banks	4.78	1,897.08
Interest Accrued on Bonds	192.19	192.19
Income Accrued from other Deposits, Loans & Advances	1,031.46	1,026.64
	1,228.44	**3,115.91**

SCHEDULE - K

Loans & Advances*

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Secured Loans:		
i) Housing loan To Employees	1,121.74	1,309.39
ii) Vehicles loan to Employees	48.22	59.78
iii) Other loans/advances to Employees	182.39	159.02
Unsecured Loans:		
(Considered good, unless otherwise stated)*		
To Other Corporates	189.15	506.42
Amount Recoverable from DOT	33,207.87	32,330.54
Amount Recoverable from BSNL	24,365.92	20,318.25
Advances Recoverable in Cash or in Kind		

or for value to be received	8,523.25	19,958.14
Advance to JV Co. (MTNLSTPI IT Services Ltd.)	2.65	0.01
Taxes paid/deducted at source	23,859.04	27,808.19
Deposits with Govt. Deptt.	455.56	450.25
Capital Advance	164.29	144.97
Amount Recoverable from GPF Trust	0.00	270.30
Others	2,275.74	2,170.56
	94,395.83	**105,485.80**
Less: Provision for Doubtful Advances	551.42	485.72
	93,844.41	**105,000.08**

* 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 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Sundry Creditors:		
(i) For Goods and Services	7,087.79	6,292.78
(ii) For Work done	3,671.61	4,443.41
(iii) For Others	1,513.18	5,170.74
Advances Received from Customers & Others	990.24	1,398.70
Deposits from :		
(i) Contractors	343.88	307.10
(ii) Customers & Others	8,273.55	8,570.54
Unclaimed Bonds	0.06	0.06
Other Liabilities:		
(i) For Salaries and Other Benefits	1,345.14	5,118.44
(ii) Bonus/ Ex-Gratia	0.04	0.00
(iii) GPF of MTNL optee	12,847.80	11,813.33
(iv) Others	6,107.41	9,975.29
Interest Accrued but not due on Bank Loan	324.90	0.00
Income Received in advance against Services	513.53	555.25
Amount Payable:		
(i) To DOT	528.11	112,265.01
(ii) To BSNL	12,062.01	4,517.21
(iii) To VSNL	54.41	50.20
(iv) To Subsidiary Companies	2.42	2.42
(v) To Others	390.08	463.05
Interest Accrued but not due:		
(i) On Deposits	0.87	0.93
	56,057.01	**170,944.46**

SCHEDULE - M
Provisions

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs.in Million)
Pension		
(i) Company Employees	66,560.93	56,972.43
(ii) Others	124.52	121.71
Leave Encashment		
(i) Company Employees	6,943.12	5,573.00
(ii) Others	7.79	9.64
Gratuity	3,714.31	4,303.12
Income Tax	8,844.57	15,400.26
Fringe Benefit tax	257.45	257.45
Wealth Tax	14.13	14.04
	86,466.82	**82,651.66**

Schedules Forming Part of Profit and Loss Account for the year ended 31-03-2011

SCHEDULE - N
Income from Services

	For the year ended 31.3.2011 (Rs. in Million)	For the year ended 31.3.2010 (Rs. in Million)
Telephone		
(a) Rentals	6,993.82	9,462.43
(b) Calls & Other Charges	6,672.38	7,887.19
(c) Franchises Services	677.42	1,319.55
(d) Rent & Junction Charges		
(i) From Mobile Operators	1,572.40	1,289.28
(e) Access Calls & Other Charges	1,586.14	2,113.23
VCC	60.58	121.32
Internet	47.03	141.23
Circuits	2,138.06	525.01
WLL Rent	158.89	226.15
WLL Call Charges	76.31	145.44
Mobile		
(a) Rentals, calls & IUC revenue	1,635.41	1,939.88
(b) Income from Roaming	1,790.33	1,500.71
(c) Pre paid Trump	2,760.08	3,394.66
(d) Activation Charges	4.06	6.89

Broadband	6,379.75	5,219.17
Value added and Other Services		
(a) Voice Mail	64.20	99.87
(b) Free Phone	225.94	180.52
(c) Premium Rate	0.49	0.52
(d) ISDN - Rental	418.05	422.96
(e) ISDN - Call Charges	370.66	467.53
(f) VOIP Service	10.06	12.94
Others	53.40	75.48
Income form 3G Service	12.48	9.07
Income from CWG project	2,850.00	0.00
Income from Cyber Highway Project	181.60	0.00
	36,739.52	**36,561.00**

SCHEDULE - O
Other Income

	For the year ended 31.3.2011 (Rs. in Million)	For the year ended 31.3.2010 (Rs. in Million)
Interest		
(i) From Banks (Tax deducted at source Rs.94.15 Million) (Previous Year Rs.630.66 Million)	472.67	3,986.14
(ii) Interest on Loan/Advances to Employees	93.72	160.58
(iii) Interest on Deposits, Advances and Others	288.78	291.81
(iv) Interest from Income Tax Department	1,060.38	8,316.90
Dividend from Mutual Fund	34.15	12.77
Sale of Directories, Publications, Forms etc.	15.55	16.47
Profit on Sale of Assets	25.79	21.78
Liquidated Damages	161.69	243.02
Foreign Currency Fluctuation Gain/(Loss)	1.60	29.90
Bad Debts Recovered	5.81	63.30
Credit Balances Written Back	535.50	567.62
Rent on quarters, IQs, Hostels and other services provided	48.73	20.75
Others	436.07	286.18
	3,180.44	**14,017.23**

SCHEDULE - P
Employees' Remuneration and Benefits

	For the year ended 31.3.2011 (Rs. in Million)	For the year ended 31.3.2010 (Rs. in Million)
Salaries, Wages, Allowances and other Benefits	20,582.06	22,787.15
Bonus/Ex-Gratia	0.52	4.94
Medical Expenses/Allowances	776.28	1,048.69
Leave Encashment		
(i) Company Employees	1,746.28	1,555.45
(ii) Others	7.70	11.61
Pension Contribution		
(i) Company Employees	11,927.16	25,693.68
(ii) Others	12.15	17.78
Contribution to Provident Fund	542.13	516.16
Gratuity	1,808.66	2,731.95
Compensation under VRS Scheme	0.00	967.73
Staff Welfare Expenses	35.21	40.03
	37,438.14	**55,375.15**
Less : Allocation to Capital Work-in-Progress	4,852.66	5,712.65
	32,585.48	**49,662.50**

SCHEDULE - Q
Administrative, Operating and Other Expenses

	For the year ended 31.3.2011 (Rs. in Million)	For the year ended 31.3.2010 (Rs. in Million)
Power & Fuel	2,054.80	2,194.42
Rent	842.50	656.92
Lease Rentals on CWG project	324.87	0.00
Repairs & Maintenance:		
(i) Buildings	171.69	173.60
(ii) Plant & Machinery	1,168.72	1,025.64
(iii) Others	389.62	388.18
Insurance	54.63	47.88
Rates & Taxes	552.72	432.38
Travelling Expenses	18.56	26.16

Postage & Courier	114.28	127.04
Printing & Stationery	101.88	109.80
Vehicle Expenses:		
(i) Maintenance	10.68	12.06
(ii) Running	27.38	29.78
(iii) Hiring	101.24	97.73
Commission paid on Franchised Services	528.08	811.28
Commission Paid to Pre Paid Services	1.81	2.35
Advertising/Business Promotion Expenses	237.64	392.94
Provision for Doubtful Debts including Disputed Bills	968.35	548.22
Provision for Wrong Billing	2.70	1.38
Bad Debts Written Off	50.82	183.67
Provision for Obsolete Stores	63.57	40.86
Professional & Consultancy Charges	57.90	66.79
Seminar and Training Expenses	8.64	17.62
Miscellaneous Expenses	708.15	736.95
Loss on Sale of Assets	99.69	14.11
Internet charges	386.02	341.91
PSTN Charges	17.30	19.51
Spectrum Charges (WLL)	5.95	6.98
Spectrum Charges (MS)	329.36	261.72
Loss of Assets	137.22	1.65
	9,536.75	**8,769.55**
Less: Allocation to Capital-work- in-progress	384.07	366.11
	9,152.69	**8,403.44**

SCHEDULE - R
Interest

	For the year ended 31.3.2011 (Rs. in Million)	For the year ended 31.3.2010 (Rs. in Million)
Interest on:		
Customers' Deposits	4.70	6.59
Bank Loans	4,514.76	0.00
GPF	0.00	0.07
Others	0.00	5.95
	4,519.46	**12.61**

SCHEDULE - S
Prior Period Adjustments

	For the year ended 31.3.2011 (Rs. in Million)	For the year ended 31.3.2010 (Rs. in Million)
Debits/ Expenses		
Salary, Wages, Allowances & Staff Expenses	0.00	40.23
Rates & Taxes	0.00	9.19
Depreciation/Amortisation	10.16	48.12
Licence Fees	7.85	0.00
Others (Current year income tax Nil) (Previous Year includes Tax Rs.57.87 Million)	0.00	257.38
	18.01	**354.91**
Credits/ Incomes		
Income From Telephone	0.00	0.24
Others	33.68	3.17
	33.68	**3.41**
Net Prior Period Adjustment	**(15.67)**	**351.50**

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 covered under the agreements related to IUC/Roaming/MOU, cases involving suspension of revenue realisation due to proceedings in Court and debtors outstanding for more than 3 years. In respect of closed connections provision is made for outstanding for more than 3 years along with spillover amount less than 3 years. In case of 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/ Exgratia is paid based on the productivity linked parameters and it is to be provided accordingly **subject to the profitability of the company**.

vi. Income from services pertaining to prior years is not disclosed as prior period item. In respect of other income/expenditure, only cases involving sums exceeding 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 amortized over the period of lease.

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

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

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

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

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

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

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

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

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

v. **Depreciation**

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

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

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

3. Inventories

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

4. Foreign Currency Transactions

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

5. Investments

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

B. NOTES TO ACCOUNTS

		2010-11 (Rs. in Million)	2009-10 (Rs. in Million)
1.	**Contingent Liabilities**		
(a)	Income Tax Demands disputed and under appeal	9774.02	12161.97
(b)	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	4906.00	9429.22
(c)	Disputed Demand under Lease Act	37.39	--
(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	10003.92	10372.83
(f)	Bank guarantee & Letter of Credit	951.15	950.89
(g)	Directory dispute	2858.34	2858.34
(h)	Interest demanded by DOT and disputed by company on account of delay in payment of Leave Salary and Pension Contribution	1738.10	1738.10
(i)	Pending court cases against land acquisition	Indeterminate	Indeterminate

2. Estimated amount of contracts remaining to be executed on capital account in respect of Purchase order/sanctioned estimate is Rs.4467.43 Millions (Previous year Rs. 9515.40 millions). The above figure has been arrived at on the basis of capital sanction instead of Purchase Order issued. 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.417.45 Million (Rs.385.21 Million), which could not be matched with corresponding debtors or identified as liability, as the case may be. Appropriate adjustments/ payments shall be made inclusive of service tax, when these credits are matched or reconciled. Therefore, it could not be adjusted against making provision for doubtful debts.

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 appellate authorities have allowed the claim to the extent of 75% of the amount claimed. The company has preferred appeals for the remaining claim before the Hon'ble Court of Delhi. The company has retained the provision of Rs.4003.32 million for this claim for the years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to Rs.4138.30 million for the years 1999-00 to 2005-06 have been shown as contingent reserve. Appeal effect for the same has been received during this year except 2004-05. However, on reconciliation certain discrepancies are noticed. Rectification application has been filed for Rs.4979.36 million.

   b) A Contingency Reserve of Rs.4138.30 million was created from the Profit & Loss Appropriation Account 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.4003.31 million 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 after considering the benefit as allowed by ITAT in the current year.

   c) In accordance with Accounting Standard 22, accounting for taxes on Income, the company has deferred tax assets amounting to Rs.15932.20 million (Rs.10571.36 million) including Rs.3251.23 million (Rs.2269.51million) on account of unabsorbed depreciation and Rs.12680.97 million (Rs.4081.13 million) brought forward business losses as on 31.3.2011. However, in the current Telecom Industry Scenario, there is no virtual certainty of availability of sufficient future taxable income against which the above asset can be realized. Hence, the Deferred Tax asset has not been accounted for. DTA amounting to Rs.15932.20 million shall be created in the year in which the company will have virtual certainty of future taxable income as required by AS-22 issued by ICAI.

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

5. a) Provision for taxation for the current year comprises of Income Tax of Rs. Nil Million, Wealth Tax of Rs.1.91 Million.

b) During the year, the company has suffered a business loss of Rs. 28019.15 million. The company intends to carry forward its business loss including unabsorbed depreciation/amortization to the tune of Rs. 22170.49 million as per calculation made under Income Tax 1961.

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 Million which being under dispute, has not been provided for. The company has filed its counter claims of Rs. 228.7 Million before the Hon'ble High Court against Sterling/UDI/UIP and has also filed arbitration claims of Rs. 561.8 Million plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for Rs. 154.91 Million (Rs. 154.91 Million) on account of royalty, interest and billing charges and on payments made through Letter of Credit; Rs.130.47 Million (Rs.130.47 Million) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the Nigam for interest and service charges aggregating Rs.143.67 Million (Rs.143.67 Million) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation of claim and further claims recoverable shall be effected upon determination based on the outcome of the proceedings in the court of law.

MTNL has filed OMP No.151/1996 seeking enlargement of time under Section 28 of the Arbitration Act for the Arbitrator to publish the award. The case is still pending and will be listed along with OMP No.135/94 for final hearing. The petitioner M/s United India Periodical (Ltd.) filed OMP No.135/94 in the High Court of Delhi challenging the appointment of Arbitrator under Section 33 of the Arbitration Act 1940. The Petition is pending from 24.10.1994 in the High Court of Delhi. Now the petitioner has filed an application for amendment in the petition filed in the year 1994 with the prayer that the arbitration clause 20 of the original contract dated 14.3.1987 be determined by the Hon'ble Court of the subsequent events. 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 million towards Royalty, Interest on Royalty amount upto 31.8.1994, amount paid against LC, Interest on amount of LC, L/D for non-performance and other charges etc. for Delhi and Mumbai both units. This suit is filed after non-performance of supplementary agreement dated 19.7.1991 & 26.9.1991 by M/s Sterling Computers Ltd. The case is still pending at Mumbai High Court.

(b) MTNL entered into contracts with M/s M & N Publications Limited for printing, publishing and supply of telephone directories for Delhi and Mumbai 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 million (approx.) plus interest thereon at various rates while M/s M&N Publications have counter claim of Rs.2860 million (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.

7. Certain Lands and Buildings capitalized in the books, are pending registration/legal vesting in the name of the company and the landed properties acquired from DOT have not been transferred in the name of the company and in the case of leasehold lands, the documentation is still pending. In case of Mumbai Unit legal vesting of land and building of the value of Rs. 31.42 Million 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 Million (Rs. 8.10 Million). The application for amnesty towards demands aggregating Rs.2.09 Million (Rs.2.09 Million) has been accepted. The balance applications relating to demands of Rs.6.02 Million (Rs.6.02 Million) 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 million on the basis of actual reimbursement made

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

b) No Trunk Automatic Exchange (TAX) charges has been billed to BSNL for usage of MTNL TAX vide letter No.MTNL/CO/TR/BSNL/2009-11/81 dated 11.05.2011. (Previous year Rs.700.83 Million).

c) In both Delhi and Mumbai Unit an amount of Rs.3335.88 million(Rs.3336.21million) and Rs.2625.19 million (Rs.2616.20 million) has been accounted as receivable and payable from BSNL respectively on account of IUC charges.

d) During the year an amount of Rs.586.65 million (Rs. 403.17 million) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL and Rs.33.27 million (Rs 12.62 million) vice-versa.

e) During the year an amount of Rs.184.91 million (Rs.86.12 million) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.

10. As per directions of the court one UASL operator has deposited Rs.3412.74 million against the claim of the same amount. The company has recognized revenue of Rs.2367.90 million in the year 2004-05 and Rs.1044.84 million 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/TDSAT.

11. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to Rs.1000 Million during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in 5 equal installments. Accordingly, five installments amounting to Rs.200 Million each, aggregating to Rs.1000 Million have become redeemable, which have not been redeemed by ITI Limited. As per letter No.U-59011-10/2002-FAC dated 31.07.2009 issued by DOT, the repayment schedule of the above cumulative Preference Shares was deferred to 2012-13 onwards in five equal instalments. 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, 2011 include unmatched/ unlinked credits/ debits given by the banks in the Mumbai Unit's bank accounts amounting to Rs.78.03 million (Rs.56.09 million) and Rs. 71.36 million (Rs.69.16 million) 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.681.73 million (excluding service tax) (Rs 697.78 million). Sundry Debtors as per WFMS is Rs.753.55 million (excluding service tax) (Rs.715.47 million). Difference is frozen to Rs 71.82 million (Rs 17.70 million). Out of total sundry debtors of Rs.753.55 million (Rs 715.47 million), an amount of Rs.81.09 million (Rs 84.17 million) is secured against the deposit available as on 31.03.2011.

14. a) Deposits from applicants and subscribers as on 31st March 1986 were Rs.1503.59 Million 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 Million.

b) The balance in the Subscribers' Deposit Accounts of Rs. 7206.33 Million (Rs. 7386.71 Million) and Interest Accrued and Due thereon of Rs.22.25 Million (Rs. 25.51 Million) 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.17.69million (Rs.57.55 million) as compared to the balance in general ledger and under reconciliation. The resultant impact of the above on the account is not ascertainable.

d) In circuits provision of Debtors has been made on the basis of financial books which includes provision of spill over Debtors of Rs.133.74 million including of earlier year of Rs.90.08 million.

15. a) Amount recoverable on current account from DOT is Rs.33207.87 Million (Rs. 32330.54 Million) and amount payable is Rs.528.11 Million (Rs.112265.01 Million). The net recoverable of Rs.32679.76 Million (Rs.(-) 79934.47 Million) is subject to reconciliation and confirmation.

b) The amount recoverable from BSNL is Rs.24365.92 Million (Rs.20318.25 Million) and amount payable is Rs.12062.01 Million (Rs.4517.21 Million). The Net recoverable of Rs.12303.91 Million (Rs.15801.04 Million) is subject to reconciliation and confirmation.

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

17. a) License Fees is calculated on the AGR accounted for on accrual basis in respect of both revenue and revenue sharing with other operators. Pending judgment from Supreme Court on appeal by DOT against TDSAT judgment, the claim of refund of License Fees on other income is not accounted for and shall be made in the year of supreme court judgment.

b) Liquidated damages recovered from M/s ITI Limited and convergent billing cases are accounted for in other income as per terms of agreement.

c) (i) In respect of Delhi Unit there is a difference of Rs.62.88 million in the cenvat credit receivable in books as compared to statutory balance for want of necessary detail from certain areas. The impact, if any, on the loss for the year cannot be ascertained at this stage.

(ii) S. Tax on Income/expenditure in respect of transaction with BSNL has been accounted on accrual basis in financial books without corresponding entries in the cenvat records which are being done on actual settlement.

18 a) Out of total provision of Gratuity of Rs. 12107.42 Million up to 31.3.2011 (Rs. 10444.63 Million), an amount of Rs. 1943.73 Million and Rs. 665.40 Million is recoverable from DOT, in respect of Group C & D and Group B employees respectively, for the period prior to their absorption. As on 31.03.2011 Rs.8578.84 Million is available with the Gratuity Trust.

b) The total provision of Leave Encashment is Rs. 6943.12 Million up to 31.3.2011 (Rs. 5573.00 Million). Out of this, an amount of Rs. 433.74 Million and Rs. 653.68 Million 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. 12780.66 Million (Rs. 11793.88 Million) towards GPF contribution is recoverable from DOT as on 31.3.2011. 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. 66560.93 Million (Rs. 56972.43 Million) upto 31.3.2011. Out of this an amount of Rs. 7546.2 Million and Rs. 2201.02 Million is recoverable from DOT in respect of Group C&D and Group B employees for the period prior to their absorption.

e) The DOT has given commitment vide GOI Ministry of Communication & IT Deptt. Of Telecom vide letter No. 40-29/2002-Pen(T) dated 29th August, 2002 that it has been agreed in principal that the payment of pensionary benefits including the family pension to the government employees absorbed in MTNL and who have opted for government scheme of pension shall be paid by the government. The exact modalities in this regard are being worked out by Deptt. Of Pension and Pensioners welfare. Pending decisions on the modalities of liabilities payable to DOT towards pension contribution on MTNL, so as to have a prudent method, on conservative basis, MTNL has adopted the method of valuation as per AS-15 (Revised) through actuarial valuation for defined benefit plan of Central Govt. Pension Scheme and the provision is kept separately in the books under schedule 'M' as a basis of payment at any time to DOT on final decision of the issue. The above liability is subject to modalities to be finalized by DOT and may go upward/downward. The necessary adjustments will be made in the books on finalization.

19. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary hence no provision is made.

20. 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.

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

22. In both units, Delhi Unit & Mumbai Unit, CDMA exchanges of 100K & 50K have been decommissioned during financial year 2008-09 by the management and necessary provision has been made for Rs.1210.28 millions as loss of assets in accordance with accounting policy. The liability on this project amounting to Rs.925.98 millions (includes 13973820 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.

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

24. Vacant Land is valued at original value for the purpose of wealth tax provisions.

25. In case of Delhi Unit 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 to be recovered and interest there on

for the current period is not accounted for as the issue of funding of the project by MTNL is raised by the PDC and pending decision by corporate management and also as there is no explicit agreement for interest, no provision as such is made.

26. In respect of MTNL Delhi unit an amount of Rs.2850.00 million is accounted for by MTNL towards wet lease for infrastructure and other services provided by MTNL in respect of Commonwealth Games during the year out of which Rs.2420.00 million has been received during the year and Rs.430.00 million is subject to final settlement. Additional claim of Rs.410 million towards additional work executed, is not accounted for pending acceptance and final settlement.

27. (a) In respect of Mobile Services Delhi, A sum of Rs. 258.94 Million (Previous year Rs. 243.55 Million) payable to TCL for ILD charges for the period Oct-09 to March-10 has not been paid due to heavy spurt in ILD traffic towards M/S TCL. On technical analysis it was found that these calls were made to some dubious and tiny destination. These destinations do not confirm to national numbering plan of the respective countries and are not approved destinations as per approved interconnect agreement. Further these calls have not got physically terminated to the destinations. The observations were shared with M/S TCL. M/S TCL has also been advised that the balance which relates to fraudulent calls is not payable and accordingly no provision has been made in the books of accounts. However the units have shown the above as contingent liability. The matter has been handed over to committee for investigation.

    (b) A CBI inquiry is under way at Mumbai Mobile Unit for excess payment of franchise commission due to misinterpretation of circular regarding commission payment. The impact thereof is not ascertainable at this stage as the inquiry is still continuing.

28. 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.

29. In respect of Mumbai Unit pending final settlement, the following have not been accounted for:

			(Rs. in Million)
		2010-11	**2009-10**
a)	Customs Duty Refund Claims	53.21	53.21
b)	Insurance Claims for damages due to floods	--	228.82
c)	other Insurance Claims	744.84	4.66

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	27.82	8.90

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

Para 4

a) Remuneration paid/payable to the Chairman & Managing Director(s) and Other Directors for the year ended 31st March 2011:-

		For the Year ended 31.3.2011	For the Year ended 31.3.2010
i)	Remuneration	6.49 Millions	8.34 Millions
ii)	Perquisites	1.84 Millions	1.02 Millions
Para 4B			
b)	Remuneration to Auditors		**Joint Auditors (Rs. in Millions)**
(i)	As Audit Fees		2.69(2.69)
(ii)	Limited Review		2.15(2.15)
(iii)	Out of pocket expenses		0.83(0.83)
(iv)	MVAT Audit		0.15 (0.15)
Para 4D			
c)	Value of		
i	Imports on CIF basis	NIL	NIL
ii	Others	NIL	NIL
d)	Expenditure in Foreign Currencies	34.52	29.31
e)	Earning in Foreign Exchange	37.30	48.30
f)	Gross Revenue from Services	36739.52	36561.00

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

Sl. No.	Name of the Bank and Branch	Balance as on 31st March, 2011	Maximum balance 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)

32. 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. No interesthasbeen paid during the year on account of delayed payments as required under the MSMED Act, 2006.

33. 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.

34. Employee Benefits –AS-15(R)

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

a) Defined Contribution Plans (Rs. in Million)

Particulars	**Amounts**
Employer Contribution to Provident Fund*	542.13
Leave Encashment Contribution for DOT employees**	7.70
Pension Contribution for DOT employees***	12.15

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

b) Defined Benefit Plans (Rs.in Million)

Particulars	Gratuity*	Pension**
Current Service Cost	502.0	3380.0
Interest Cost	899.10	4842.7
Expected Return on Plan Assets	(877.30)	--
Actuarial(gain)/loss	1251.60	3704.50
Past Service Cost	--	--
Curtailment and Settlement Cost/(Credit)	--	--
Net Cost	1775.40	11927.20
Benefits paid during the year	(737.80)	(2355.40)

*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:

	2010-11		2009-10	
Particulars	**Gratuity**	**Pension**	**Gratuity**	**Pension**
Discount Rate	8.50%	8.50%	8.50%	8.50%
Salary Escalation	3.50%	3.50%	3.50%	3.50%
Current Expected rate of	8.00%	-	8.00%	-
return on Plan Assets	-	-	-	-
Future increase in Pension	-	4.0%	-	4.0%

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

a) **Benefit obligations.** **(Rs. In Million)**

Particulars	**Gratuity**	**Pension**
Projected benefit obligation at beginning of the year	10444.60	56972.40
Interest Cost	899.10	4842.70
Current Service Cost	502.00	3380.00
Past Service Cost	--	--
Benefit Paid	(737.80)	(2355.40)
Actuarial (Gain)/loss on obligations	965.10	3704.50
Projected benefit obligation at end of the year	12073.10	66544.20

b) **Plan Assets** **(Rs. In Million)**

Particulars	**Gratuity**
Fair Value of plan assets at beginning of year	8958.40
Expected Return on Plan Assets	877.30
Contributions	2376.50
Benefit Paid	(737.80)
Actuarial gain/(loss) on Plan Assets	(286.50)
Fair Value of Plan Assets at the end of the year	11187.97*
Actual return on plan assets	590.80
Total expenses recognized during the year	(1775.40)

* (excludes Rs. 1070.84 million recoverable from MTNL & includes Rs 2609.13 million towards recoverable from DOT as one time settlement of Gratuity towards retirement benefit on absorption).

IV. Category of Investment in Gratuity trust as on 31.03.2011.

(Rs. In Million)

Particulars	**Amounts**
Government of India Securities	3305.72
Corporate Bonds	3708.03
State Govt. Securities	992.04
Others	3182.18
Total	**11187.97***

*(excludes Rs. 1070.84 millions recoverable from MTNL & includes Rs. 2609. 13 million towards recoverable from DOT as one time settlement of Gratuity towards retirement benefit on absorption)

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

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

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

36. Information regarding Primary Business Segments: - AS – 17

Rs. in Millions

S.N	Particulars	Year Ended 31.3.2011 (Audited)	Year Ended 31.3.2010 (Audited)
1.	Income from Services		
	Basic & Other Services	30899.69	30035.98
	Cellular	6450.74	7057.57
	Unallocable	(164.18)	
	Total	37186.25	37093.55
	Less: Inter Unit Income	446.73	532.55
	Net Income From Services	**36739.52**	**36561.00**
2.	Segment result before interest and tax		
	Basic & Other Services	(17894.14)	(33399.54)
	Cellular	(3858.31)	347.38
	Unallocable	(1475.63)	(1124.30)
	Total	(23228.07)	(34176.46)
	Less: Interest	4519.46	12.61
	Less: Prior period Items	(15.67)	351.50
	Profit before tax	**(27731.86)**	**(34540.57)**
	Less: Provision for Tax	1.91	(3551.14)
	Less: Prior period Tax	285.38	(4879.71)
	Profit after tax	**(28019.16)**	**(26109.72)**
3.	Capital Employed		
	(Segment Assets - Segment Liabilities)		
	Basic & Other Services	31.26	42.87
	Cellular	68652.67	10425.13
	Unallocable	(2219.11)	84015.97
	Total	**66464.81**	**94483.97**

Note:-

1. The company has disclosed Business Segment as the Primary Segment. Segments have been identified taking into account the nature of the services, the deferring risks and returns, the organizational structure and internal reporting system.

2. The company caters mainly to the needs of the two metro cities viz. Delhi and Mumbai, wherein the risk and return are not different to each other. As such there are no reportable geographical segments.

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

37. Related Parties Disclosure under AS-18

a) List of Related Parties and Relationships

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

b) Key Management Personnel

Mr. Kuldip Singh	Director (Tech.) & CMD
Mrs. Anita Soni	Director (Finance)
Mr. S.P. Pachauri	Director (HR)
Mr. A K Pathak	Executive Director (Technical), CO
Mr. Manjit Singh	Executive Director, Delhi
Mr. J Gopal (Part of the year)	Executive Director , Mumbai
Mr. Peeyush Aggarwal (Part of the year)	Executive Director, Mumbai
Mr. A K Bhargava (Part of the year)	Executive Director, WS

b) Related Party Transactions **(Rs. In Millions)**

(Except DOT)

Transactions	**Subsidiary**	**Joint Venture**	**Key Management Personnel**
Guarantees	-	-	-
Unsecured Loan	-	NIL	NIL
Remuneration Paid	-	-	6.49
Loans & Advances	13.71	2.64	-

38. Earning Per Share – AS – 20

I)	Profit after Tax	(27749.44)Millions
2)	Number of Shares	630 Millions
3)	Nominal value of shares	Rs. 10/-
4)	Basic/ diluted EPS	Rs. (44.47)

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

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

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

(Rs. In millions)

Name of JV	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	218.30	172.18	46.12	282.46	282.46
MTNL STPI IT Service Ltd.	14.82	13.10	1.72	18.44	18.44

40. 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.

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

(i) Registration Details

Registration No.	23501	State Code	55

	Date	Month	Year
Balance Sheet Date	31	03	2011

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

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

iii. Position of Mobilization and Deployment of Funds (Rs. in Millions)

Total Liabilities	283545	Total Assets	283545

Sources of Funds:

Paid up Capital	6300	Reserves & Surplus	60165
Secured Loans	25540	Unsecured Loans	49017
Deferred Tax Liability Net	NIL		

Application of Funds:

Net fixed assets + Capital WIP	174468	Investment	4947
Net Current Assets	-38693	Misc. Expenditure	NIL
Accumulated Losses	NIL		

iv) Performance of Company (Rs. in Millions)

Turnover	39920	Total Expenditure.	67667
Profit before Tax	-27748	Profit After Tax	-27749
Earning per share in Rs.	-44.47	Dividend Rate	

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

Item Code No. (ITC Code)	NOT AVAILABLE
Product Description	TELEPHONE SERVICE
Item Code No. (ITC Code)	NOT AVAILABLE
Product Description	BROAD BAND
Item Code No. (ITC Code)	NOT AVAILABLE
Product Description	GSM

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

43. Schedules "A" to "T" form an integral part of the Balance Sheet and the Profit and Loss Account.

For and on behalf of Board

sd/- **(S.R.Sayal)** Co. Secy.	sd/- **(R.Srinivasan)** Dy. G M (Accounts)	sd/- **(Anita Soni)** Director(Finance)	sd/- **(Kuldip Singh)** Chairman & Managing Director

For Bansal Sinha & Co. Chartered Accountants FRN: 06184N	**For Goel Garg & Co.** Chartered Accountants FRN: 00397N
sd/- **(Ravinder Khullar)** (Partner)	sd/- **(Ajay Rastogi)** (Partner)

Place : New Delhi
Date : 30th June, 2011

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Annexure-I

Cash Flow Statement for the year ended 31st March 2011

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

		2010-11 (Rs. in Million)	2009-10 (Rs. in Million)
A.	**Cash Flow from Operating Activities**		
	Net profit before Tax and extra ordinary items	**(27747.53)**	**(34189.06)**
	Adjustment for:		
	Prior period adjustment (net)	(259.56)	4576.33
	Profit on sale of fixed assets	(25.79)	(21.78)
	Loss on sale of fixed assets	99.69	14.11
	Depreciation & Amortisation	14101.48	17594.94
	Compensation charged under VRS Scheme	0.00	967.73
	Compensation paid under VRS Scheme	0.00	(0.83)
	Interest Cost	4519.46	8.72
	Interest Income	(1915.55)	(12755.43)
	Interest paid	0.00	(9.59)
	Operating cash profit before working capital changes	**(11227.80)**	**(23814.88)**
	Adjustment for:		
	Trade and other receivables	8060.48	(15484.27)
	Inventories	330.31	327.57
	Trade and other payables	(104841.51)	149036.51
	Cash generated from operations	(107678.52)	110064.93
	Direct Taxes paid/adjusted (Net)	(2367.68)	1296.73
	Net Cash Flow from Operating Activities	**(110046.21)**	**111361.66**
B.	**Cash Flow from Investing Activities**		
	Purchase of fixed assets	**(12530.53)**	**(122676.11)**
	(including capital W.I.P.)		
	Sale of Fixed Assets	905.89	54.50
	Interest received	3807.84	13167.38
	Investment	148.79	(444.45)
	Net Cash Flow from Investing Activities	**(7668.01)**	**(109898.68)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from borrowings	74556.75	0.00
	Dividend paid (including tax thereon)	0.00	(737.07)
	Interest paid on borrowings	(4194.63)	0.00
	Net Cash Flow from Financing Activities	**70362.12**	**(737.07)**
D.	**Net Increase/Decrease in Cash and Cash Equivalents**	**(47352.10)**	**725.92**
	Cash and Cash equivalent as at the beginning of the year	48753.90	48027.98
	Cash and cash equivalent as at the end of the year	**1401.80**	**48753.90**
	Cash and cash equivalient as at the end of year represented by		
	Cash in hand	95.08	31.81
	Balance with bank in current account (net of provisions)	1133.12	968.32
	Balance with bank in Fixed Deposit account	173.60	47753.77
	TOTAL	**1401.80**	**48753.90**

Note: Previous year figures have been regrouped/rearranged wherever necessary

For and on behalf of Board

sd/-	sd/-	sd/-	sd/-
(S.R.Sayal)	**(R.Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Co. Secy.	Dy. G M (Accounts)	Director(Finance)	Chairman & Managing Director

For Bansal Sinha & Co.	**For Goel Garg & Co.**
Chartered Accountants	Chartered Accountants
FRN: 06184N	FRN: 00397N
sd/-	sd/-
(Ravinder Khullar)	**(Ajay Rastogi)**
(Partner)	(Partner)

Place : New Delhi

Date : 30th June, 2011

MTNL

Consolidated Balance Sheet of Mahanagar Telephone Nigam Ltd.
As at 31st March, 2011

		As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	6,300.00	6,300.00
Reserves & Surplus	2	59,943.74	111,471.31
Loan and OD from Banks	3	74,586.06	85.30
Deferred Tax Liability (Net)		21.04	-
Total		**140,850.84**	**117,856.62**
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		295,101.88	283,959.93
Less : Depreciation & Amortisation		131,119.23	117,642.86
Net Block		**163,982.65**	**166,317.07**
Capital Work-in-Progress	**5**	**11,644.88**	**11,866.34**
Investments	**6**	**3,500.00**	**3,849.60**
Deferred Tax Asset (Net)		**-**	**23.53**
Current Assets, Loans & Advances			
Inventories	7	1,266.84	1,596.76
Sundry Debtors	8	6,378.17	7,494.67
Cash & Bank Balances	9	1,779.25	48,910.26
Other Current Assets	10	1,235.25	3,118.71
Loans & Advances	11	93,987.76	105,056.37
		104,647.27	**166,176.77**
Less : Current Liabilities and Provisions			
Current Liabilities	12	56,438.28	171,223.94
Provisions	13	86,497.00	82,699.15
Net Current Assets		**(38,288.01)**	**(87,746.32)**
Miscellaneous Expenditure		**11.32**	**16.25**
(to the extent not written off or adjusted)			
Profit and Loss Account Debit Balance 2009-10		**-**	**23,530.15**
Total		**140,850.84**	**117,856.62**

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

For and on behalf of Board

sd/-	sd/-	sd/-	sd/-
(S.R.Sayal)	**(R.Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Co. Secy.	Dy. G M (Accounts)	Director(Finance)	Chairman & Managing Director

In terms of our report of even date

For Bansal Sinha & Co.	**For Goel Garg & Co.**
Chartered Accountants	Chartered Accountants
FRN: 06184N	FRN: 00397N
sd/-	sd/-
(Ravinder Khullar)	**(Ajay Rastogi)**
(Partner)	(Partner)

Place : New Delhi
Date : 30th June, 2011

MTNL

Consolidated Profit & Loss of Mahanagar Telephone Nigam Ltd. for the year ended 31st March, 2011

		As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
INCOME			
Income from Services	14	37,459.46	37,108.63
Other Income	15	3,194.17	14,023.31
		40,653.63	51,131.94
EXPENDITURE			
Employees' Remuneration other than Retirement Benefits	16	17,134.42	19,704.21
Employees' Remuneration for retirement Benefits- Provisions (includes actual payouts for MTNL Rs.3477.84 million (Previous Year Rs.2610.53 million))	16	15,482.10	29,981.08
Revenue Sharing		4,602.54	5,397.82
Licence Fee		2,926.35	3,868.89
Administrative, Operating & Other Expenses	17	9,400.18	8,607.50
Depreciation & Amortisation	4	14,229.23	17,719.78
Interest	18	4,534.11	30.70
		68,308.93	**85,309.98**
Profit/(Loss) Before Tax		**(27,655.30)**	**(34,178.04)**
Provision for Tax		17.72	6.85
Provision for Deferred tax		26.54	(3,552.67)
Profit/(Loss) After Tax		**(27,699.57)**	**(30,632.22)**
Prior period adjustments	19	(15.65)	351.51
Taxes for earlier period(s)		285.38	(4,879.71)
Profit/(Loss) For the Year		**(27,969.31)**	**(26,104.02)**
Transfer from Contingency Reserve		2,387.95	2,579.58
Profit/(Loss) available for Appropriation		**(25,581.36)**	**(23,524.43)**
Appropriation :			
Transfer to/ (from) General Reserves		(25,581.36)	5.72
Profit and loss account debit balance 2009-10		-	(23,530.15)
		(25,581.36)	(23,524.43)
Earnings Per Share			
Basic/Diluted earnings per share (in Rs.) (Refer note 38)		(44.40)	(41.43)
Accounting Policies & Notes to Accounts	21		

The Schedules referred to above form an integral part of the Profit & Loss Account.

For and on behalf of Board

sd/-	sd/-	sd/-	sd/-
(S.R.Sayal)	**(R.Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Co. Secy.	Dy. G M (Accounts)	Director(Finance)	Chairman & Managing Director

In terms of our report of even date

For Bansal Sinha & Co.	**For Goel Garg & Co.**
Chartered Accountants	Chartered Accountants
FRN: 06184N	FRN: 00397N
sd/-	sd/-
(Ravinder Khullar)	**(Ajay Rastogi)**
(Partner)	(Partner)

Place : New Delhi
Date : 30th June, 2011

SCHEDULES FORMING PART OF CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH 2011

Schedule 1

Share Capital

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (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 - 2

Reserves & Surplus	As at 1.4.2010 (Rs in Million)	Addition during the year (Rs in Million)	Deduction/Adjustm-ents* during the year (Rs in Million)	As at 31.3.2011 (Rs in Million)
Bonds Redemption Reserve	-	-	-	-
Bonds Redemption Reserve (Prev. Year)	(0)	(0)	(0)	-
Share Premium	6,650.05			6,650.05
Share Premium (Prev. Year)	(6,650.05)	(0)	(0)	(6,650.05)
General Reserve	97,987.00	-	49,139.62	48,847.38
General Reserve (Prev. Year)	(97,997.33)	-	(10.33)	(97,987.00)
Reserve For Contingencies	6,526.26	-	2,387.95	4,138.31
Reserve For Contingencies (Prev. Year)	(9,105.84)	-	(2,579.58)	(6,526.26)
Reserve For Research & Development	308.00	-	-	308.00
Reserve For Research & Development (Prev. Year)	(308.00)	-	(0)	(308.00)
TOTAL	**111,471.31**	**-**	**51,527.57**	**59,943.74**
	(114,061.22)	**-**	**(2,589.91)**	**(111,471.31)**

*Adjustments during the year includes amount reduced from General Reserves to the tune of Rs.23530.14 million pertaining to the previous year 2009-10. The same had been shown as a distinct item captioned" Proft and loss account debit balance 2009-10" on the face of the balance sheet during the year 2009-10.

SCHEDULE 3

Loans and OD from Banks

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Term Loan	29.32	85.30
Long Term Loans (Secured)		
PNB LONG TERM	200.00	-
(Floating first pari passu charge on all fixed & current assets & letter of comfort from DoT)		
IDBI LONG TERM	25,339.70	-
(Floating charge ranking pari passu with other lenders on the fixed & current assets)		
Unsecured		
a. Short Term Loans		
AXIS BANK (3G)	10,000.00	-
UBI	4,800.00	-
CBI (BWA)	15,000.00	-
b. Overdrafts (OD)		
FEDARAL BANK (OD)	2,988.84	-
BOB (OD)	5,001.33	-
DENA BANK (OD)	3,000.79	-
IOB (OD)	8,226.09	-
	74,586.06	**85.30**

SCHEDULE – 4 : FIXED ASSETS

Description	Gross Block (Rs In Million)					Depreciation & Amortisation (Rs. In Million)				Net Block (Rs. In Million)	
	As At 1.4.2010	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2011	As At 1.4.2010	For The Year	Sales/Adjustments During The Year	As At 31.3.2011	As.at 31.3.2011	As.at 31.3.2010
Intangible Assets:-											
-Application Software	564.83	135.80	-	-	700.62	175.08	64.98	-	240.06	460.56	389.75
-3G & BWA Licence Fees	110,979.70	-	-	-	110,979.70	10,386.90	6,304.64	-	16,691.54	94,288.16	100,592.80
Land:											
Freehold	192.01	0.04	-	-	192.05	-	-	-	-	192.05	192.01
Leasehold	2,817.16	347.40	-	-	3,164.57	363.83	29.99	-	393.82	2,770.75	2,453.33
Building	12,643.22	455.97	15.32	1.41	13,082.47	3,695.50	451.77	2.40	4,144.86	8,937.61	8,947.72
Leased Premises	52.92	0.60	-	-	53.52	9.25	1.06	-	10.31	43.21	43.67
Lines & Wires	978.47	21.96	3.88	-	996.56	636.65	29.39	0.04	666.00	330.56	341.83
Cable	71,197.73	979.22	19.59	0.45	72,156.91	49,734.24	2,092.98	1.15	51,826.07	20,330.84	21,463.50
Apparatus & Plant	77,684.30	10,833.81	593.21	1,123.02	86,801.89	48,564.77	4,872.69	751.72	52,685.73	34,116.15	29,119.53
Vehicles	317.90	15.40	(2.95)	7.65	328.61	269.65	13.52	8.79	274.37	54.23	48.26
Furniture & Fixtures	1,470.43	30.16	-	0.01	1,500.57	1,003.92	60.36	0.01	1,064.27	436.31	466.51
Office Machinery & Equipments	382.78	5.73	2.28	1.17	385.06	226.36	15.63	1.75	240.24	144.82	156.42
Electrical Appliances	1,459.23	16.93	0.98	1.44	1,473.74	699.79	65.02	1.68	763.13	710.61	759.45
Computers	2,986.98	33.35	0.51	4.14	3,015.68	1,883.93	237.36	2.46	2,118.83	896.84	1,103.05
Assets Scrapped/ Decommissioned	253.96	56.17	40.19	-	269.94	-	-	-	-	269.94	253.96
Total	**283,981.62**	**12,932.55**	**673.00**	**1,139.29**	**295,101.88**	**117,649.84**	**14,239.39**	**770.00**	**131,119.23**	**163,982.65**	**166,331.78**
Previous Year	**164,045.61**	**120,777.24**	**715.02**	**126.21**	**283,981.62**	**100,418.90**	**17,757.53**	**526.59**	**117,649.84**	**166,331.78**	**-**

Notes :

1. Additions during the year include adjustments on account of value difference, spill over cost etc indentified during the year in respect of existing fixed assets
2. Depreciation charged during the year includes:

		Rs.in.Million
a)	Depreciation for the year	14,229.23
b)	Depreciation/adjustment relating to prior period	10.16
c)	Depreciation written back	-
		14239.39

SCHEDULE 5

Capital Work-in-Progress

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Buildings	1,365.29	791.01
Apparatus & Plants	7,266.97	8,822.43
Lines & Wires	46.66	34.75
Cables	2,163.21	1,724.64
Subscribers' Installations	289.49	218.20
Air Conditioning Plants	533.88	295.97
Less:- Provision for Abandoned Works	(20.62)	(20.62)
	11,644.88	**11,866.34**

SCHEDULE 6

Investments

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (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.11)	1,000.00	1,000.00
Others		
Investment in LICMF Income Plus Fund-Daily Dividend Plan	-	349.60
Investment in Un Quoted 11.5% fully paid up Bonds of Maharashtra Krishna Valley Development Corporation Ltd. (Redemption in the Year 2012)	2,500.00	2,500.00
	3,500.00	**3,849.60**

SCHEDULE 7

Inventories (At Cost)

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Stores and Spares:		
Building Materials	0.46	0.46
Lines & Wires	17.99	30.40
Cables	622.74	849.25
Exchange Equipments	489.20	535.54
WLL Equipments	6.34	12.90
Telephone & Telex instruments	223.58	267.16
WLL Instruments	160.82	170.96
Telephones & Telex Spares	1.05	1.31
Installation Test Equipments	4.07	0.21
Store- in-Transit (including others)	-	0.38
Mobile Handsets & Sim Cards	23.58	29.15
	1,549.83	**1,897.71**
Less: Provision for obsolete stores	**282.98**	**300.95**
	1,266.84	**1,596.76**

SCHEDULE 8

Sundry Debtors (Unsecured)*

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Outstanding for a Period Exceeding Six Months		
Considered Good	2,474.35	3,540.36
Considered Doubtful	6,374.15	5,703.31
Other Debts		
Considered Good	2,016.37	1,120.15
Considered Doubtful	8.31	-
Income Accrued from services	1,082.25	2,415.50
	11,955.42	**12,779.31**
Less: Provision for doubtful debts	5,557.91	5,268.66
Less: Provision for wrong billing	19.35	15.98
	6,378.17	**7,494.67**

For the current year, debtors exceeding Six months, considered good & doubtful includes service tax of Rs.323.30 Million (Previous Year Rs.549.92 Million) & Rs.1095.02 Million (Previous Year Rs.854.49 Million) respectively. Other debtors considered good include service tax of Rs.285.28 Million (Previous Year Rs.200.67 Million).

SCHEDULE 9

Cash & Bank Balances

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Cash in hand		
(including cheques in hand)		
(Rs.77.79 Million (Previous Year Rs.39.58 Million)	95.24	31.98
Balance with Scheduled Banks		
In Current Accounts	1,187.84	1,019.20
In Fixed Deposit Accounts	501.88	47,863.93
Balance with Non-Scheduled Banks		
In Current Account (Refer Note -31)	5.66	5.66
	1,790.62	**48,920.77**
Less: Provision for Doubtful Bank Balances	11.37	10.51
	1,779.25	**48,910.26**

SCHEDULE 10

Other Current Assets

Unsecured Considered Good

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Interest Accrued on Deposits with Banks	11.59	1,899.71
Interest Accrued on Bonds	192.19	192.19
Income Accrued from other Deposits, Loans & Advances	1,031.46	1,026.82
	1,235.25	**3,118.71**

SCHEDULE 11

Loans & Advances*

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Loans & Advances		
Secured Loans		
i) Housing Loan to Employees	1,121.74	1,309.39
ii) Vehicles Loan to Employees	48.22	59.78
iii) Other Loans/advances to Employees	184.22	160.52
Unsecured Loans		
(Considered good, unless otherwise stated)*		
(1) To Other Corporates	189.15	506.42
Amount Recoverable from DOT	33,207.87	32,330.54
Amount Recoverable from BSNL	24,365.92	20,318.25
Advances Recoverable in Cash or in Kind		
or for value to be received.	8,523.25	19,958.14
Advance to JV Co (MTNLSTPI IT Services Ltd)	2.65	0.01
Taxes Paid/Deducted at Source	23,875.08	27,824.26
Deposits with Govt. Deptt.	484.38	450.30
Capital Advance	164.29	144.97
Amount Recoverable from GPF Trust	-	270.30
Others	2,372.39	2,209.24
	94,539.16	**105,542.11**
Less: Provision for Doubtful Advances	551.42	485.72
	93,987.76	**105,056.37**

*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 12

Current Liabilities

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Sundry Creditors		
(i) For Goods and Services	7,121.93	6,339.68
(ii) For Work done	3,673.23	4,443.41
(iii) For Others	1,513.41	5,175.59
Advances Received from Customers & Others	990.24	1,398.70
Deposits from :		
(i) Contractors	348.23	307.10
(ii) Customers & Others	8,307.93	8,598.82
Unclaimed Bonds	0.06	0.06
Other Liabilities		
(i) For Salaries and Other Benefits	1,391.56	5,118.51
(ii) Bonus/ Ex-Gratia	2.64	-
(iii) GPF of MTNL optee	12,847.89	11,813.33
(iv) Others	6,123.96	10,167.69
Interest Accrued but not due on Bank Loan	324.90	-
Income Received in advance against services	513.53	555.25
Amount Payable:		
(i) To DOT	528.11	112,265.01
(ii) To BSNL	12,062.01	4,517.21
(iii) To VSNL	54.41	50.20
(iv) To Subsidiary Companies	2.42	2.42
(v) To Others	630.96	470.03
Interest Accrued but not due :		
(i) On Deposits	0.87	0.93
	56,438.28	**171,223.94**

SCHEDULE 13

Provisions

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Pension		
(i) Company Employees	66,560.93	56,972.43
(ii) Others	124.52	121.71
Leave Encashment		
(i) Company Employees	6,943.12	5,573.00
(ii) Others	7.79	9.64
Gratuity	3,714.31	4,303.12
Income Tax	8,848.44	15,403.16
Fringe Benefit tax	257.45	257.45
Wealth Tax	14.13	14.04
Others	26.31	44.59
	86,497.00	**82,699.15**

Schedules Forming Part of Consolidated Profit and Loss Account for the year ended 31-03-2011

SCHEDULE 14

Income from Services

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Telephone		
(a) Rentals	6,993.82	9,462.43
(b) Calls & Other Charges	6,672.38	7,887.19
(c) Franchisee Services	677.42	1,319.55
(d) Rent & Junction Charges		
(i) Mobile Operators	1,572.40	1,289.28
(e) Access Calls & Other Charges		
(i) Basic Service Operators	1,586.14	2,113.23
VCC	60.58	121.32
Internet	66.71	161.59
Circuits	2,138.06	525.01
WLL Rent	165.45	240.68
WLL Call Charges	135.59	234.61

Mobile		
(a) Rentals, calls & IUC revenue	1,835.80	2,100.67
(b) Income from Roaming	1,790.33	1,500.71
(c) Pre paid Trump	2,895.61	3,394.66
(d) Activation Charges	4.06	6.89
Broadband	6,379.75	5,219.17
Value added and Other Services		
(a) Voice Mail	231.80	249.60
(b) Free Phone	225.94	180.52
(c) Premium Rate	0.49	0.52
(d) ISDN - Rental	418.05	422.96
(e) ISDN - Call Charges	370.66	467.53
(f) VOIP Services	10.06	12.94
Others	184.31	188.49
3G service income	12.48	9.07
Income from CWG	2,850.00	-
Income from Cyber Highway Project	181.60	-
	37,459.46	**37,108.63**

SCHEDULE 15

Other Income

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Interest		
(i) From Banks (Tax deducted at source Rs.94.15 Million (Previous Year Rs.630.66 Million))	478.78	3,988.27
(ii) Interest on Loan/Advances to Employees	93.72	160.58
(iii) Interest on Deposits, Advances and Others	294.58	295.93
(iv) Interest from Income Tax Department	1,060.38	8,316.90
Dividend from Mutual Fund	34.15	12.77
Sale of Directories,Publications, Forms etc.	15.57	16.58
Profit on Sale of Assets	25.79	21.78
Liquidated Damages	161.69	243.02
Foreign Currency Fluctuation Gain/(Loss)	1.71	29.21
Bad Debts Recovered	5.81	63.30
Credit Balances Written Back	535.50	567.62
Rent on Quarters, Inspection Quarters, Hostels and other services provided	48.73	20.75
Others	437.77	286.60
	3,194.17	**14,023.31**

SCHEDULE 16
Employees' Remuneration and Benefits

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Salaries, Wages, Allowances and other benefits	20,612.57	22,809.72
Bonus/ Ex-Gratia	0.52	4.94
Medical Expenses/Allowances	776.28	1,048.69
Leave Encashment		
(i) Company Employees	1,746.28	1,555.45
(ii) Others	7.70	11.61
Pension Contribution		
(i) Company Employees	11,927.16	25,693.68
(ii) Others	12.15	17.78
Contribution to Provident Fund	542.16	516.16
Gratuity	1,808.66	2,731.95
Compensation under VRS Scheme	-	967.73
Staff Welfare Expenses	35.70	40.22
	37,469.18	55,397.94
Less :		
Allocation to Capital Work-in-Progress	4,852.66	5,712.65
	32,616.52	**49,685.29**

SCHEDULE 17
Administrative, Operating and Other Expenses

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Power & Fuel	2,090.95	2,218.78
Rent	858.16	678.47
Lease Rentals on CWG project	324.87	-
Repairs & Maintenance:		
(i) Buildings	171.69	173.60
(ii) Plant & Machinery	1,169.03	1,025.64
(iii) Others	401.56	388.97
Insurance	58.53	51.59
Rates & Taxes	554.84	435.63
Travelling Expenses	22.40	27.59
Postage & Courier	114.40	127.04
Printing & Stationery	105.75	112.47
Vehicle Expenses:		
(i) Maintenance	10.68	12.06
(ii) Running	29.42	32.14
(iii) Hiring	101.24	97.73

Commission paid on Franchised Services	551.06	818.46
Commission Paid to Pre paid services	1.81	2.35
Advertising/Business Promotion Expenses	263.85	441.65
Provision for Doubtful Debts including Disputed Bills	1,005.27	566.47
Provision for Wrong Billing	2.70	1.38
Bad Debts Written Off	59.16	183.67
Provision for Obsolete Stores	63.57	40.86
Professional & Consultancy Charges	58.41	68.17
Seminar and Training Expenses	8.64	17.62
Miscellaneous Expenses	780.75	805.38
Loss on Sale of Assets	99.69	14.11
Internet charges	386.02	341.91
PSTN Charges	17.30	19.51
Spectrum Charges(WLL)	5.95	6.98
Spectrum Charges(MS)	329.36	261.72
Loss of Assets	137.22	1.65
	9,784.25	**8,973.60**
Less : Allocation to Capital WIP	384.07	366.11
	9,400.18	**8,607.50**

SCHEDULE 18

Interest :

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Interest on :		
Customers' deposits	4.70	6.59
Bank Loans	4,514.76	-
GPF	-	0.07
Others	14.65	24.04
	4,534.11	**30.70**
Less : Allocation to the DOT for interest on Bonds and Loans	-	-
	4,534.11	**30.70**

SCHEDULE 19
Prior Period Adjustments

	As at 31.3.2011 (Rs. in Million)	As at 31.3.2010 (Rs. in Million)
Expenses		
Salary, Wages, Allowances & Staff Expenses	-	40.23
Rates & Taxes	-	9.19
Depreciation & Amortisation	10.16	48.12
Licence Fee	7.85	-
" Others (Current year income tax nil)“Previous Year includes includes Tax Rs.57.87 Million) "	0.02	257.38
	18.03	**354.92**
Income		
Income from Telephone	-	0.24
Others	33.68	3.17
	33.68	**3.41**
Net Adjustment	**(15.65)**	**351.51**

Note: 1. Consolidated Figures includes Provisional figures of United Telecom Ltd as their financial year ends on 16th July.

Annexure-I

MAHANAGAR TELEPHONE NIGAM LIMITED

Consolidated Cash Flow Statement for the year ended 31st March 2011

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

		2010-11 (Rs. in Million)	2009-10 (Rs. in Million)
A.	**Cash Flow from Operating Activities**		
	Net profit before Tax and extra ordinary items	**(27,655.30)**	**(34,178.02)**
	Adjustment for:		
	Prior period adjustment (net)	(259.58)	4,576.33
	Profit on sale of fixed assets	(25.79)	(21.78)
	Loss on sale of fixed assets	99.69	14.11
	Depreciation & Amortisation	14,229.23	17,719.78
	Compensation charged under VRS Scheme	0.00	967.73
	Compensation paid under VRS Scheme	0.00	(0.83)
	Interest Cost	4,534.11	8.72
	Interest Income	(1,927.46)	(12,761.68)
	Interest paid	0.00	(9.59)
	Operating cash profit before working capital changes	**(11,005.10)**	**(23,685.25)**
	Adjustment for:		
	Trade and other receivables	7,990.65	(15,395.24)
	Inventories	329.93	323.67
	Trade and other payables	(104,753.08)	148,988.16
	Cash generated from operations	(107,437.61)	110,231.34
	Direct Taxes paid/adjusted (Net)	(2,370.12)	1,291.40
	Net Cash Flow from Operating Activities	**(109,807.73)**	**111,522.75**
B.	**Cash Flow from Investing Activities**		
	Purchase of fixed assets (including capital W.I.P.)	(12,663.28)	(122,865.66)
	Sale of Fixed Assets	905.89	54.50
	Interest received	3,815.57	13,173.63
	Investment	148.79	(444.45)
	Net Cash Flow from Investing Activities	**(7,793.03)**	**(110,081.98)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from borrowings	74,500.76	(51.59)
	Dividend paid (including tax thereon)	0.00	(737.07)
	Interest paid on borrowings	(4,209.28)	0.00
	Raising of Share Capital	178.28	81.86
	Net Cash Flow from Financing Activities	**70,469.76**	**(706.80)**
D.	**Net Increase/Decrease in Cash and Cash Equivalents**	**(47,131.00)**	**733.97**
	Cash and Cash equivalent as at the beginning of the year	48,910.26	48,176.27
	Cash and cash equivalient as at the end of the year	**1,779.26**	**48,910.26**
	Cash and cash equivalient as at the end of year represented by		
	Cash in hand	95.24	31.98
	Balance with bank in current account (net of provisions)	1182.13	1014.35
	Balance with bank in Fixed Deposit account	501.88	47863.93
	TOTAL	**1779.25**	**48910.26**

Note: Previous year figures have been regrouped/rearranged wherever necessary

For and on behalf of Board

sd/-	sd/-	sd/-	sd/-
(S.R.Sayal)	**(R.Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Co. Secy.	Dy. G M (Accounts)	Director(Finance)	Chairman & Managing Director

For Bansal Sinha & Co.	**For Goel Garg & Co.**
Chartered Accountants	Chartered Accountants
FRN: 06184N	FRN: 00397N
sd/-	sd/-
(Ravinder Khullar)	**(Ajay Rastogi)**
(Partner)	(Partner)

Place : New Delhi
Date : 30th June, 2011

ANNEXURE TO DIRECTOR'S REPORT

Addendum to Director's Report

Replies of Management to Auditors Report with regard to Qualifications for the year 2010-11.

Auditors Report	Reply of the Management
1. Amounting to Rs. 4003.31 million for the years 1997-98 to 1999-2000 on account Note No.4 (a & b) regarding maintenance of a provision for income tax of disputed claim of deduction under section 80IA whereas the similar claims for subsequent years involving a tax liability of ‘ 4138.30 Million have been shown as Contingent Liabilities. In view of the pending disputes with the Income Tax Departments at the High Court level, we are unable to comment on the adequacy or otherwise of the provision held in this regard.	The matter is pending before High Court and will be settled accordingly on final judgment. A Tax Liability of ‘ 4138.30 million has been provided via creating a contingency reserve of the similar amount from a charge to profit and loss account.
2. Note No. 4 (c) regarding accounting of ncome ax and interest thereon of ‘ 105.16 million pending appeal effects and ‘ 4873.93 million pending rectifications are subject to adjustment as per the final orders to be passed by the Income Tax Department. The balances appearing in Advance Tax, Provisions for Income Tax and Interest on income Tax Refund are subject to reconciliation with the figures of the Income Tax Department.	The matter is pending before various judicial authorities. Necessary adjustments shall be passed on receipt of the final orders from Income Tax Department.
3. Note No. 34 (II) regarding the provision for employees benefits which have been made	The parameters are as suggested by a professional actuarial agency and is

on the basis of actuarial valuation. The issue being technical, we are unable to comment on the adequacy or otherwise of these provisions.	recommended by the Audit committee and approved by the board in the year 2009-10 and the same is being followed for this year, as the Actuary agency has not suggested any change during this year. Hence accounted for accordingly.
4. Note No. 26 regarding booking of income for ‘ 2850.00 million towards wet lease for infrastructure and other services provided in respect of Commonwealth Games out of which ‘ 430.00 million is subject to acceptance and final settlement and non booking of additional claim of ‘ 410.00 million which is also subject to acceptance and final settlement.	In view of the changed scenario and uncertainty which prevails on settlement of all claims of Common Wealth Games project payments, the income is actually accounted to the extent of agreement and as per the minutes of Ministry of Youth Affairs and Sports vide no F-70-128/2009-CWG-I dated 17th Nov and 25th Nov 2009..The additional work executed during completion of the project, as per site requirement is not accounted for since it is subject to acceptance and settlement. The disclosure at Note 26 is self explanatory.
5. Non availability of relevant records pertaining to contracts with M/s. HCL Infosys Ltd on account of Commonwealth Games Project as the same are informed to be taken by the investigating agencies. In view of the above, we are unable to comment on the lapses, if any, of internal control in awarding the contract.	It is Statement of fact as for as the availability of files is concerned. However the contract was entered into with due approval of the Board.
6. Note no. 17(c) (i) & (ii) regarding reconciliation of Cenvat Credit Receivable as per books with the balance outstanding as per CENVAT records maintained by the company for service tax purposes and accounting of service tax for transactions with BSNL. The resultant impact, if any, on the financial statements for the year can not be ascertained.	The expenditure and liability on accrual basis is to be accounted for in the period we availed the services even though the invoices are not raised by the service provider as per the accrual system of accounting. Hence the entire amount of service tax receivable will be subject to actual payment of the liability on receipt of the invoices and then only the credit could be availed under input services. There is no time limit for availing such input credit from the service tax department also.

7. License Fee to the DOT is being worked out on accrual basis as against the terms of License Agreements according to which the expenditures/ deductions from the Gross revenue are allowed on actual payment basis in respect of the Public Switching Telecom Network (PSTN) related call charges and roaming charges payable to BSNL and other service provider.

The license fees has been correctly calculated since it is based on Adjusted Gross Revenue(AGR) which is calculated correctly taking into account the deduction from gross revenue relating to roaming and IUC charges paid / settled with other operators. **It is also disclosed in para 17(a) of Notes to Accounts in schedule T.** For such purpose, the settlement with BSNL has been made by netting the amount of payment due to BSNL from the amount to be received from BSNL. The amount of deduction is correctly calculated based on recorded traffic and TRAI determined termination charges as well as agreed carriage charges (IUC).Moreover since the calculation of AGR is factual and correct, based on accurately calculated deductions based on recorded traffic and approved tariffs, there is no impact on the profitability of the company.

8. Note No.15(a)&(b) regarding the amounts recoverable from DOT/ 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 and Note No. 16 regarding non provision of certain claims of the BSNL on account of signaling charges, Transit tariff, MP Bills, IUC Claims and IUC claims of MTNL rebutted by BSNL, Service Connection billing, Duct charges, TAX usage charges, infrastructure and other 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. Beside, **Note no. 23** regarding non provision for interest payable/ receivable on balances during

Management has taken up the matter of DOT related reconciliation with the Administrative ministry.A committee has been constituted by BSNL by mutual agreement vide letter No 16-56/2001-PHA-(1) dated 25th Apr 2009 consisting of officers of both MTNL and BSNL to reconcile the differences. Further, the income from BSNL has been booked as per accrual method of accounting in terms of regulations of TRAI.Interest on GPF claim receivable is charged to DOT since interest is paid to the employees on GPF while making final settlement.

the year due to absence of agreement between the company and DOT/BSNL for interest recoverable/ payable on current account, except charging of interest on GPF claims receivable from DOT.

9. The company has allocated the establishment overheads as per Annexure P and Administrative overheads as per Annexure Q. The company's policy in this regard needs to be made more realistic & scientific and the same should avoid capitalizing the loss due to idle time of labour and machines.	As per schedule T on significant accounting policy of the company, vide para 2 (i), establishment overheads and expenses incurred in units where project work is undertaken are allocated to capital either on time allocated or other attributable basis on the basis of expert CWA consultation, recommended by a Technical committee and approved by the Board.
10. Note No.40 regarding non provision of impairment of assets in terms with Accounting Standard 28.	No indication exists at the balance sheet date that an asset may be impaired.
11. Non provision of LTC/ encashment of LTC not availed by the employees, bonus for last two years(amount unascertained) and Non provision of actuarial liability on account of medical expenses for retired employees in view of the Insurance policy being taken by the company and yearly premium is charged every year.	LTC block is ongoing and the claims get lapsed after completion of the block and hence no provision is required.Since Medical claim insurance policy has been taken for retired pensioners and no risk accrues to MTNL, it is therefore treated as defined contribution plan as per AS 15 (R) and accounting has been done accordingly.Therefore there is no further provision required.
12. 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.	As per the Sale Deed executed between the company and DOT, stamp duty is the liability of DOT if required. As regards properties acquired after 1.4.86 the matter is taken up with concerned authorities and is in process.
13. Accounting Policy No. 2 (iv) regarding valuation of scrapped/decommissioned assets which are not being revalued every year.	Since there is no active market available for determining the realizable value of the scrapped telecom assets, profit or loss on sale is accounted for only on actual sale & revaluation in every year is not feasible.

14. Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts.	As per significant accounting policy no provision is required 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 and reconciliation is an ongoing process.
15. Note No. 24 regarding non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the yearend for the purpose of wealth tax provisions	The properties have been acquired by the company for its use, hence the same were valued at cost
16. Note No.20 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.	The process of reconciliation is being pursued.
17. Note No 14(b), regarding balance in subscribers' deposits account of ' 7206.33 Million and interest accrued thereon of ' 22.25 Million, unlinked receipts from subscribers Rs.417.41 Million are subject to reconciliation **(Refer Note No. 3)**. Balance of sundry debtors as per Ageing Summary is short by ' 89.51 Million with comparison to balance is general ledger though the same has been fully provided for **(Refer Note No. 13 and 14(c))**. 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.	The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation
18. 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.

19. 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 and necessary instructions have been reiterated.
20 Note No.12 regarding the Bank Reconciliation Statements as at 31st March, 2011 include the unmatched/ unlinked credits and debits aggregating Rs.78.03 million and Rs.71.36 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.	These unlinked amounts are primarily because of differences in the MIS and collection figures provided by the banks. Due to sustained efforts and pursuance with the banks, this amount is substantially reduced. As on 31.07.2011, Rs.41.68 million credits and Rs.34.37 million debits have already been reconciled and the balance amounts are being pursued.
21. Note No. 25 regarding non provision for ADCC recoverable from Project Development Company and non accounting of interest thereon in absence of explicit agreement to that effect	Statement of fact.
22. Note No.4 (d) regarding non deduction of tax at source on services received from BSNL and treatment of the expenditure on account of Pension liability on the basis of actuarial valuation as an allowable expense based on experts opinion.	Statement of fact.
23. Note No. 27 regarding a technical fraud involving a loss of Rs.258.94 million which was observed during the previous year and another case observed during the year for excess franchise commission paid for which amount is not ascertainable at this stage; however, no provision for the same has been made in	The disclosure in notes is self explanatory and discloses fully. The matters are under investigation and further action shall be taken as required in due course.

the accounts as the cases are still under investigation.	
24. The loss on account of unusable subscriber's instruments has not been ascertained and provided for.	The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation.
25. Note no. 2 regarding non ascertainment of Contingent liabilities and the estimated amount of the contracts of capital nature yet to be executed in respect of some of the units.	Statement of fact
26. Note No. 32 regarding non availability of 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 MSMEDA 2006. As no response has been received, no action is required towards compliance on the sections of MSMEDA 2006.
27. Non availability of information about the transactions required to be entered in the registers maintained under section 301 of the Companies Act, 1956.	Noted
28. The Company 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 since it is a service company and not a manufacturing concern.
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 since it is a service company and not a manufacturing concern.

iii) The classification of sundry debtors as unsecured without considering the security deposit that the company has received from subscribers.	The debtors are secured up to 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.	Statement of fact.
v) Gross Block of scrapped/ decommissioned fixed assets, Accumulated Depreciation and Net Block separately.	As per Accounting policy.

sd/-

(Kuldip Singh)

Chairman & Managing Director

Place : New Delhi

Date : 07.09.2011

MTNL

Confidential Rep-Comml/F-159/Ann.Acts/MTNL/2010-11/Vol-III

सत्यमेव जयते

क्रमांक ....

No.

कार्यालय

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

OFFICE OF THE

Director General of Audit, Post & Telecommunications

Sham Nath Marg, (New Old Secretariat), Delhi-110402

To

The Chairman and Managing Director,
Mahanagar Telephone Nigam Limited,
New Delhi.

Subject: Comments of Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March 2011.

Sir,

I am to forward herewith the comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the annual accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March 2011 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/

(M. K. Biswas)

Principal Director of Audit (P&T)

Sd/

Encl(s): As above

दूरभाष / Telphone : 23812666, 23814533

तार / Telegram : Cenoff, Delhi

फैक्स / Fax : 91-011-23813822

Comment 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 2011.

The preparation of financial statements of Mahanagar Telephone Nigam Limited (MTNL), for the year ended 31 March 2011 in accordance with the financial reporting frame work prescribed under the Companies Act, 1956 is the responsibility of the Management of the MTNL. The Statutory Auditors appointed by the Comptroller & Auditor General of India under Section 619(2) of the Companies Act, 1956 are responsible for expressing opinion on these financial statements under section 227 of the Companies Act, 1956 based on independent audit in accordance with the 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 30 June 2011.

I, on behalf of the Comptroller & 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 2011. This supplementary audit has been carried out independently without access to the working papers of the statutory auditor and is limited primarily to enquiries of the statutory auditor and MTNL personnel and a selective examination of some of the accounting records. Based on my supplementary audit, I would like to highlight the following significant matter under Section 619(4) of the Companies Act, 1956 which has come to my attention and which in my view is necessary for enabling a better understanding of the financial statements and the related Audit Report.

Balance Sheet

1. **APPLICATION OF FUNDS**
   Fixed Assets (Schedule-D)
   Apparatus and Plant Rs. 85,538.04 Million

The above includes overhead expenditure of Rs. 1689.7 million being 46 per cent of the capital expenditure of Rs.3673.2 million incurred by MTNL in respect of the CWG telecommunication network project executed on turnkey basis.

The project was put to use on 28 September 2010 at CWG site at a cost of Rs. 3673.2 million which included the cost of dismantling, redeployment and integration in their sites at Delhi and Mumbai. MTNL accounted for revenue of Rs. 2850 million from the project in the current year.

The capitalization of overhead of Rs. 1689.7 million on a turnkey project was based on a study on overhead allocation conducted by a cost consultant and approved by the Board in 2007-08. Capitalization of overheads without documentary evidence of directly attributable expenditure is in contravention of

Accounting Policy No. 2(i) of MTNL which envisaged allocation of overhead either on time allocated or other attributable basis and Accounting Standard 10 prescribed under section 211 (3C) of the Companies Act, 1956.

This has resulted in overstatement of 'Fixed Asset' and 'Depreciation', understatement of 'Administrative, Operating & Other Expenses', 'Employees Remuneration and Benefits' and 'Loss for the year', the amount of which could not be quantified in the absence of details of directly attributable cost.

For and on the behalf of the

Comptroller and Auditor General of India

Sd/-
(M. K. Biswas)
Principal Director of Audit (P&T)

Place: Delhi
Date: September 06, 2011

MTNL

ANNEXURE TO DIRECTOR'S REPORT

Comments of the Comptroller and Auditor General of India under Section 619(4) of the Companies Act, 1956 on the Annual Accounts of Mahanagar Telephone Nigam Limited for the year ended 31st March 2011 and Management's Replies thereon.

Comments of CAG of India

Balance Sheet

1. APPLICATION OF FUNDS

Fixed Assets (Schedule-D)

Apparatus and Plant Rs. 85,538.04 Million

The above includes overhead expenditure of Rs. 1689.7 million being 46 *per cent* of the capital expenditure of Rs.3673.2 million incurred by MTNL in respect of the CWG telecommunication network project executed on turnkey basis.

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The capitalization of overhead of Rs. 1689.7 million on a turnkey project was based on a study on overhead allocation conducted by a cost consultant and approved by the Board in 2007-08. Capitalization of overheads without documentary evidence of directly attributable expenditure is in contravention of Accounting Policy No. 2(i) of MTNL which envisaged allocation of overhead either on time allocated or other attributable basis and Accounting Standard 10 prescribed under section 211 (3C) of the Companies Act, 1956.

This has resulted in overstatement of 'Fixed Asset' and 'Depreciation', understatement of 'Administrative, Operating & Other Expenses', 'Employees Remuneration and Benefits' and 'Loss for the year', the amount of which could not be quantified in the absence of details of directly attributable cost.

The Management replies

The calculation of Overhead expenditure and its allocation to Capital outlay was done strictly as per the methodology applied by Cost Consultant duly recommended by a Technical Committee of experts in MTNL and approved by the Board in the year 2007-08 in accordance with the MTNL Accounting Policy No 2(i) of MTNL which envisaged allocation of Overhead expenditure either on time allocated or other attributable basis and Accounting Standard No 10 in totality. Though a turnkey project, this work was carried out on war-footing and resources, including manpower, were extensively utilized from all areas since it was a prestigious project of the Government and work on it had begun long before the actual event (Common Wealth Games) in October, 2010. Therefore, the overhead is allocated to CWG project @ 46% as derived from the calculations of Cost Consultant done was implemented.

Sd/
(M. K. Biswas)
Principal Director of Audit (P&T)

Sd/-
(Kuldip Singh)
CMD, MTNL

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

1.	Name of the Subsidiary Company		Millennium Telecom Ltd.(MTL)
2.	Financial Year of MTL ended on		31st March, 2011
3.	Extent of MTNL's interest in MTL at the end of financial year 2010-11	*	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 2011		Rs.-4887746
	ii) For previous F.Y.s of MTL since it became subsidiary		Rs.27183824
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 2011		Nil
	ii) For previous F.Y.s of MTL since it became subsidiary		Nil
6.	Where the Financial Year(s) of MTL does not coincide with that of MTNL, then:		Not Applicable
	(a) Change in MTNL's interest in MTL between the end of F.Y. of MTNL and that of MTL		
	(b) Details of material changes which have occured between the end of F.Y of MTNL and that of MTL in respect of		
	i. MTL's Fixed Assets'		
	ii. Its investments;		
	iii. The moneys lent by it		
	iv. The moneys borrowed by it for any purpose other that of meeting current liabilities		

For and on behalf of Mahanagar Telephone Nigam Limited

sd/-	sd/-	sd/-	sd/-
(S.R. Sayal)	**(R. Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Company Secretary	DGM (Accounts)	Director (Finance)	Chairman & Managing Director

Place: New Delhi

Date: 03.09.2011

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, 2011
3.	Extent of MTNL's interest in MTML at the end of financial year 2010-11 100%	
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 2011	Rs. 33867865
	b. For previous F.Y.s of MTML since it became subsidiary	Rs. (136879955)
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 2011	Nil
	ii) For previous F.Y.s of MTML since It became subsidiary	Nil
8.	Where the Financial Year(s) of MTML does not coincide with that of MTNL, then:	Not Applicable
	(a) Change in MTNL's interest in MTML between the end of F.Y. of MTNL and that of MTML	
	(b) Details of material changes which have occured between the end of F.Y of MTNL and that of MTML in respect of	
	i) MTML's Fixed Assets'	
	ii) Its investments;	
	iii) The moneys lent by it	
	iv) The moneys borrowed by it for any purpose other that of meeting current liabilities	

For and on behalf of Mahanagar Telephone Nigam Limited

sd/-	sd/-	sd/-	sd/-
(S.R. Sayal)	**(R. Srinivasan)**	**(Anita Soni)**	**(Kuldip Singh)**
Company Secretary	DGM (Accounts)	Director (Finance)	Chairman & Managing Director

Place: New Delhi
Date: 03.09.2011

MTNL

MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your company have pleasure in presenting the 11th Annual Report of your Company together with Statement of Accounts and Auditors Report for the period ended on 31st March, 2011.

PERFORMANCE/OPERATIONS OF THE COMPANY

MTL being 50:50 Joint Venture of MTNL and BSNL had invited Global Tender for laying of Submarine Cable. However because of decline in bandwidth prices, high cost of laying the cable, various operational and financial reasons, the Board found it non-viable at those rates and hence cancelled the tender.

The Board has decided to enter into new lines of business which could be telecom related as well as other areas.The Board decided that your company shall have full time CEO/COO with other supporting set-up initially at Delhi and may take up such new lines of Business through the CEO/COO. Some of the possible business may be Tower/Infrastructure, Outsource Call Centers, Government Business awarded to Private Telecom Providers like security, part of cable works of even BSNL/MTNL and others in the industry, VAS service support, Content acquisition/management, manpower supply, Telecom training etc.

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 Deposits) amounting to Rs. 2,101,256/- as against Rs. 2,254,602/- during the last year and made a profit before taxation of Rs. 1,642,624/- as against Rs 1,750,762/- 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) will be initially contributing the same amount to make it 50:50 JV. Both BSNL and MTNL would subscribe for more capital in the company in the near future, as per the requirement.

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 31.03.2011.

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 earning 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

Smt. Anita Soni, Shri R.K.Agarwal, Shri S.P.Pachauri and Shri N.K.Joshi continued to be the Directors of the company.

The following changes have taken place amongst the Board of Directors during the period from last Annual General Meeting till date:-

1) Shri Kuldip Singh, CMD, MTNL took over as the Chairman of the company in place of Shri Gopal Das, CMD,BSNL w.e.f. 1st January, 2011
2) Shri Gopal Das, CMD/Director (HR), BSNL ceased to be the Director of the company.
3) Shri Ashok Kumar Garg, Director (HR), BSNL has been appointed as a Director in place of Shri Gopal Das.

CHIEF OPERATING OFFICER

Shri N.K.Jain, GM (TF-CWG), MTNL(Delhi Unit) has been given additional charge as Chief Operating Officer (COO) of the company in place of Shri Peeyush Agarwal who has taken over the charge of ED, MTNL (Mumbai).

COMPLIANCE CERTIFICATE

The Compliance Certificate issued by M/s V.K.Sharma & Co., Company Secretaries relating to complaince of various provisions of the Companies Act, 1956 pursuant to Section 383A of the Act is enclosed as Annexure II to the Director's Report.

AUDITORS

M/s D.N. Kubal & Co., Chartered Accountants were re-appointed as statutory auditors of your company by Comptroller & Auditors General of India(C &AG) for the year 2010-11.

ACKNOWLEDGEMENT

The Board of Directors expresses its gratitude to the holding company i.e. MTNL, the Joint Venture partner BSNL, Department of Telecom (DOT) and other Govt. Ministries/Departments for their help, guidance and support extended 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 and officials of MTNL and BSNL at all levels.

For and on behalf of Board of Directors

sd/-

(Kuldip Singh)

CHAIRMAN

Place: New Delhi

Date: 29th July 2011

AUDITORS' REPORT

To the members of **MILLENIUM TELECOM LIMITED**

1. We have audited the attached Balance Sheet of **MILLENIUM TELECOM LIMITED** as at 31st March 2011, 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, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2011 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 2011;

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: 29th July. 2011

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.

a) The company has received unsecured interest free loan from its holding company MTNL, the outstanding balance as on 31st March, 2011 is Rs 838896/-. 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.

b) The company has received unsecured interest free loan from its holding company MTNL, therefore rate of interest & other terms & conditions does not apply

c) 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 its Delhi office and the register is not produced before us.

b) In reply to the query of Government Auditors for 2006-2007 the company has promised to produce the register at Bombay office for verification of the auditor, but the company has not produced the same before us.

c) 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: 29th July, 2011

MTNL

MILLENNIUM TELECOM LIMITED

BALANCE SHEET AS AT 31st MARCH 2011

	SCHEDULE NO.	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
I. SOURCES OF FUNDS :			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	A	28,758,800	28,758,800
(b) Reserves & Surplus	B	23,291,259	28,179,005
		52,050,059	**56,937,805**
2. LOAN FUNDS :			
(a) Unsecured Loan	C	838,896	824,276
		838,896	**824,276**
2. Deffered Tax Liability	D	80,181	123,336
		80,181	**123,336**
	TOTAL	**52,969,136**	**57,885,417**
II. APPLICATION OF FUNDS :			
1. FIXED ASSETS	E		
(a) Gross Block		3,754,782	3,754,782
(b) Less : Depreciation		3,024,053	2,786,366
(c) Net Block		**730,729**	**968,416**
2. CURRENT ASSETS, LOANS AND ADVANCES :			
(a) Sundry Debtors	F	13,695,595	13,695,595
(b) Cash and Bank Balances	G	24,539,900	24,539,984
(c) Other Current Assets	H	3,934,482	2,038,012
(d) Loans & Advances	I	10,681,509	16,065,296
		52,851,486	**56,338,887**
Less: Current Liabilities & Provisions			
(a) Liabilities	J	8,608,779	8,007,586
(b) Provisions	K	3,325,300	2,735,300
		11,934,079	**10,742,886**
NET CURRENT ASSETS		**40,917,407**	**45,596,001**
3. Miscellaneous Expenditure (to the extent not written off or adjusted)	L	11,321,000	11,321,000
		11,321,000	**11,321,000**
TOTAL		**52,969,136**	**57,885,417**
Accounting Policies & Notes forming part of Accounts	Q	-	0

Sd/-	Sd/-	Sd/-	Sd/-
Mr.S.R.Sayal	**Mr. N.K.Jain**	**Ms. Anita Soni**	**Mr.S.P.Pachauri**
Company Secretary	Chief Operating Officer	Director	Director

AS PER OUR ATTACHED REPORT OF EVEN DATE

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

PLACE : MUMBAI
DATED : 29 July 2011

Mr. DEEPAK KUBAL
Partner

MTNL

MILLENNIUM TELECOM LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2011

	SCHEDULE NO.	FOR THE YEAR ENDED 31.03.2011 (RUPEES)	FOR THE YEAR ENDED 31.03.2010 (RUPEES)
INCOME			
Income from Operation	**M**	-	-
Other Income	**N**	2,101,256	2,254,602
TOTAL		**2,101,256**	**2,254,602**
EXPENDITURE			
Administrative, Operating & Other Expenses	**O**	220,945	235,710
Depreciation	**E**	237,687	268,130
TOTAL		**458,632**	**503,840**
NET PROFIT/(LOSS) BEFORE TAXATION		1,642,624	1,750,762
Provision for Bad & Doubtful Debts		-	-
Provision for Taxation			
- For Prior Years		5,983,525	-
- On Depreciation		(43155)	(34885)
- Current tax		590,000	621,000
		(4887746)	1164647
Prior Period Adjustments			
Excess provision of Dep. Written Back		0	0
Excess provision of Exp. Written Back		0	0
Prior Period Expenses	**P**	0	0
Balance carried to Balance Sheet		**(4887746)**	**1164647**
Accounting Policies & Notes forming part of Accounts	**Q**		
Average number of equity shares		2,875,880	2,875,880
Basic & Diluted EPS		**(1.70)**	**0.40**

Sd/-	Sd/-	Sd/-	Sd/-
Mr.S.R.Sayal	**Mr. N.K.Jain**	**Ms. Anita Soni**	**Mr.S.P.Pachauri**
Company Secretary	Chief Operating Officer	Director	Director

AS PER OUR ATTACHED REPORT OF EVEN DATE

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

Mr. DEEPAK KUBAL
Partner

PLACE : MUMBAI
DATED : 29 July 2011

SCHEDULES ANNEXED TO AND FORMING PART OF THE ACCOUNTS

SCHEDULE ' A '
SHARE CAPITAL

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
AUTHORISED		
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 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Revenue Reserve		995,181	995,181
Profit and Loss Appropriation Account			
Opening Balance	27,183,824		
Add: Current year's profit	-4,887,746	22,296,078	27,183,824
	TOTAL	**23,291,259**	**28,179,005**

SCHEDULE 'C'
UNSECURED LOAN

		AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Loan from Holding Company MTNL,Corporate Office		838,896	824,276
	TOTAL	**838,896**	**824,276**

SCHEDULE 'D'

		AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Deffered Tax Liability On Depriciation		80,181	123,336
	TOTAL	**80,181**	**123,336**

SCHEDULE 'E' — STATEMENT OF FIXED ASSETS AS ON 31st MARCH 2011

As per Companies Act, 1956

A.Y. 2011-2012 F.Y. 2010-2011

Sr. No.	Particulars	Rate of Depn.	GROSS BLOCK As on 01.03.10	Additions during the year	Deductions (At Cost)	As on 31.03.11	DEPRECIATION As on 01.04.10	For the year	Written Back	As on 31.03.11	NET BLOCK As on 31.03.11	As on 31.03.11
1	**Apparatus & Plants**											
	Equipment & Apparatus	9.50%	82,639	-	-	82,639	68,977	7,851	-	76,828	5,811	13,662
2	Electrical Appliances											
	Electrical Fittings	6.33%	62,215	-	-	62,215	27,000	3,938	-	30,938	31,277	35,215
	Air Condition	4.75%	117,760	-	-	117,760	32,696	5,594	-	38,290	79,470	85,064
3	**Furniture & Fixtures**											
	Furniture & Fixtures	6.33%	474,252	-	-	474,252	222,553	30,020	-	252,573	221,679	251,699
4	**Office Machinery**											
	Cellular Telephone Handset	4.75%	8,200	-	-	8,200	3,022	389	-	3,411	4,789	5,178
	Water Filter	4.75%	15,280	-	-	15,280	5,404	726	-	6,130	9,150	9,876
	Fax Machine	4.75%	63,765	-	-	63,765	22,439	3,029	-	25,468	38,297	41,326
	Xerox Machine	4.75%	123,615	-	-	123,615	44,562	5,872	-	50,434	73,181	79,053
	EPABX System	4.75%	11,990	-	-	11,990	3,934	570	-	4,504	7,486	8,056
	Scanner	16.21%	11,024	-	-	11,024	11,024	-	-	11,024	-	-
	Web Camera	16.21%	4,347	-	-	4,347	4,347	-	-	4,347	-	-
	LCD Projector	16.21%	256,601	-	-	256,601	237,643	18,958	-	256,601	-	18,958
	ISDN Router	16.21%	16,500	-	-	16,500	16,500	-	-	16,500	-	-
5	**Vehicles**											
	Motor Car	9.50%	636,216	-	-	636,216	453,389	60,441	-	513,830	122,386	182,827
6	**Computers**											
	Modems - MSDSL	16.21%	371,592	-	-	371,592	371,592	-	-	371,592	-	-
	Computer	16.21%	775,628	-	-	775,628	775,628	-	-	775,628	-	-
	Printer	16.21%	104,408	-	-	104,408	104,408	-	-	104,408	-	-
	Laptop	16.21%	618,750	-	-	618,750	381,248	100,299	-	481,547	137,203	237,502
	TOTAL		**3,754,782**	**-**	**-**	**3,754,782**	**2,786,366**	**237,687**	**-**	**3,024,053**	**730,729**	**968,416**
	PREVIOUS YEAR		**3,754,782**	**-**	**-**	**3,754,782**	**2,518,236**	**268,130**	**-**	**2,786,366**	**968,416**	**1,236,546**

SCHEDULE ' F '
SUNDRY DEBTORS

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (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	215,771
TOTAL	**13,695,595**	**13,695,595**

SCHEDULE ' G '
CASH & BANK BALANCES

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Cash in Hand	-	-
Balance with Scheduled Banks		
-In Current Account with Indian Overseas Bank	800,495	800,579
-In Current Account with ICICI Bank	100,825	100,825
-In Deposit Account	23,638,580	23,638,580
Balance with Non-Scheduled Banks		
TOTAL	**24,539,900**	**24,539,984**

SCHEDULE ' H '
OTHER CURRENT ASSETS

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Telephone Deposit	-	-
Prepaid Expenses	2,370	2,548
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)	3,757,899	1,861,251
TOTAL	**3,934,482**	**2,038,012**

SCHEDULE ' I '
LOANS & ADVANCES (Unsecured)

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (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 (A.Y. 2008-09)	137,500	137,500
Income Tax Paid (A.Y. 2009-10)	121,380	121,380
Income Tax Paid (A.Y. 2010-11)	395,130	-
FBT Paid (A.Y. 2007-2008)	9,380	9,380
FBT Paid (A.Y. 2008-2009)	11,586	11,586
FBT Paid (A.Y. 2009-2010)	5,891	5,891
Income Tax Paid (RECOVERED BY I TAX)	7,185,981	13,169,506
TDS RECOVERED BY BANK - 090402	1,605,621	1,401,013
TOTAL	**10,681,509**	**16,065,296**

SCHEDULE 'J'
CURRENT LIABILITIES

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Outstanding Expenses	78,390	71,695
Earnest Money Deposit - 131600	4,131,283	4,131,283
MTNL	1,663,945	1,663,945
Profession Tax Payable	21,200	17,500
AO (T-I), MTNL, MUMBAI	980,350	389,552
Service Tax Payable	779,119	779,119
Sundry Creditors	126,553	126,553
Provision for Direct Expenses	827939	827939
TOTAL	**8,608,779**	**8,007,586**

SCHEDULE 'K '
PROVISIONS

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Provision for Taxation	3325300	2735300
TOTAL	**3,325,300**	**2,735,300**

SCHEDULE ' L'
MISCELLANEOUS EXPENDITURE

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Preliminary Expenses to the extent not w/off		
Registration Fees	-	-
Stamp duty	-	-
Proffessional & Consultancy Charges to the extent not w/off	11,321,000	11,321,000
TOTAL	**11,321,000**	**11,321,000**

SCHEDULE ' M '
INCOME FROM OPERATIONS

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Income from e-Tendering Services	-	-
TOTAL	**-**	**-**

SCHEDULE ' N '
OTHER INCOME

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Interest on FD with Bank	2,101,256	2,254,602
Miscellaneous Income	-	-
TOTAL	**2,101,256**	**2,254,602**

SCHEDULE ' O '
ADMINISTRATIVE, OPERATING & OTHER EXPENSES

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Auditors remuneration	71,695	71,695
Bank Charges & Commission	84	101,703
Conveyance	-	-
Consultancy Fees	-	-
Insurance charges	3,338	3,941
Postage & Courier	56	-
Professional & Legal Charges	25,730	16,500
Professional Tax	2,500	12,500
Interest on Professional Tax	1,200	5,000
Miscellaneous Expenses	-	-
Printing & Stationery	485	-
Repairs & Maintainance (Office Machinery & Computers)	-	-
Refreshment Expenses	12,443	8,966
Travelling Expenses	103,414	15,405
Bank Guarantee Commission	-	-
Filling Fees R.O.C	-	-
TOTAL	**220,945**	**235,710**

SCHEDULE ' P '
PRIOR PERIOD EXPENSES

	AS AT 31.03.2011 (RUPEES)	AS AT 31.03.2010 (RUPEES)
Professional & Legal Charges	-	-
Consultancy Fees	-	-
Bank Guarantee Commission	-	-
TOTAL	**-**	**-**

MTNL

MILLENNIUM TELECOM LIMITED

CASH FLOW STATEMENT

		As at 31.03.2011 (RUPEES)	As at 31.03.2010 (RUPEES)
Cash flow from operating activities Net Profit before tax and extraordinary items Adjustment for non cash items/items to be disclosed seperately:		1,642,624	1,750,762
Interest Income		(2,101,256)	(2,254,602)
Prior Period Items		-	-
Amortisation		-	-
Depreciation		237,687	268,130
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		**(220,945)**	**(235,710)**
Adjustments for changes in working capital			
(Increase)/ Decrease in Other Current Assets		(1,896,470)	(1,795,375)
(Increase)/ Decrease in Loans & Advances		5,383,787	(4,642,010)
Increase/ (Decrease) in Trade payable		1,191,193	1,034,747
CASH GENERATED FROM OPERATIONS		**4,457,565**	**(5,638,348)**
Extra Ordinary Items: Misc. Expenditure		-	-
Income Tax refund received		-	-
Income Tax paid		6,573,525	621,000
NET CASH FLOW FROM OPERRATING ACTIVITIES	(A)	**(2,115,960)**	**(6,259,348)**
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of Fixed Assets		-	-
Sale of Fixed Assets		-	-
Interest received		2,101,256	2,254,602
NET CASH FLOW FROM INVESTING ACTIVITIES	(B)	**2,101,256**	**2,254,602**
CASH FLOW FROM FINANCE ACTIVITIES:			
Proceeds from Issue of Share Capital		-	-
Unsecured Loan taken		14,620	107,175
Repayment of Unsecred Loan		-	-
NET CASH FROM FINANCING ACTIVITIES	(C)	**14,620**	**107,175**
NET INCREASEASE IN CASH AND CASH EQUIVALENT (A+B+C)		**(84)**	**(3,897,571)**
CASH AND CASH EQUIVALENTS AS AT 1st April, 2010 (OPENING BALANCE)		24,539,984	28,437,555
CASH AND CASH EQUIVALENTS AS AT 31st March, 2011 (CLOSING BALANCE)		**24,539,900**	**24,539,984**

Sd/-	Sd/-	Sd/-	Sd/-
Mr.S.R.Sayal	**Mr. N.K. Jain**	**Ms. Anita Soni**	**Mr. S.P. Pachauri**
Company Secretary	**Chief Operating Officer**	**Director**	**Director**

AS PER OUR ATTACHED REPORT OF EVEN DATE
For M/s D. N. KUBAL & CO.
Chartered Accountants
Sd/-
Mr. DEEPAK KUBAL
Partner
PLACE : MUMBAI
DATED : 29 July 2011

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/-	Sd/-	Sd/-	Sd/-
Mr.S.R.Sayal	**Mr. N.K. Jain**	**Ms. Anita Soni**	**Mr. S.P. Pachauri**
Company Secretary	**Chief Operating Officer**	**Director**	**Director**

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

Chartered Accountants

Mr. Deepak Kubal

Partner

PLACE: MUMBAI

DATED: 29 July 2011

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 Rs.34,96,764/- pertaining to Assessment Year 2004-2005, Rs.29,82,670/- pertaining to Assessment Year 2005-2006 and Rs.6,34,050/- ertaining to Assessment Year 2007-2008 also penalty of Rs 40,55,448/- for Assessment Year 2003-2004 & penalty of Rs. 26,88,755 for Assessment Year 2005-2006 as per the demand notices received from Income Tax Department.

The company has filed appeals against the Assessment & penalty Orders and the appeals are pending against Commissioner of Income Tax. The company has paid the above income tax under protest.

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**

Current year	**Previous Year**	
a) Audit Fees	Rs. 39,708/-	Rs. 39,708/-
b) Certification Fees	Rs. 31,987/-	Rs. 31,987/-

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. 26,44,295
iii) Unsecured Loan from MTNL	:	Rs. 8,38,896

9. The Computation of Earnings per share

Net Profit/ (Loss) for the year including provision for taxation in Rs.	:	Rs.(4887746)
Average number of equity shares	:	28,75,880
Basic & Diluted EPS in Rs.	:	Rs (1.70)

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/-	Sd/-	Sd/-	Sd/-
Mr.S.R.Sayal	**Mr. N.K. Jain**	**Ms. Anita Soni**	**Mr. S.P. Pachauri**
Company Secretary	**Chief Operating Officer**	**Director**	**Director**

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

Sd/-
Mr. Deepak Kubal
Partner

PLACE: MUMBAI
DATED: 29 July 2011

MOORE STEPHENS
6th, Floor, Newton Tower
Sir William Newton Street
Port Lovis, Mauritius
Tel : (230) 211-6535, 211-0021, 211 7484
Fax : (230) 211 6964

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MAHANAGAR TELEPHONE (MAURITIUS) LTD

This report, including the opinion, has been prepared for and only for the company's members, as a body, in accordance with Section 205 of the Mauritius 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 statement of financial position at 31 March 2011 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the Financial Statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. 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 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Mauritius Companies Act 2001.

Report on Other Legal and Regulatory Requirements

We have no relationship with or interests in the company other than in our 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

sd/-
PORT LOUIS
MAURITIUS
DATE : 03 June 2011

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011

	Notes	2011 Rs	2010 Rs
ASSETS			
Non-current assets			
Property, plant and equipment	5	**274,459,062**	320,532,850
Equipment under construction		**65,930,879**	9,970,736
Deferred taxation	6	**7,463,255**	13,108,817
		347,853,196	343,612,403
Current assets			
Trade and other receivables	7	**311,538,042**	195,928,148
Cash and cash equivalents	8	**30,840,379**	30,085,773
		342,378,421	226,013,920
TOTAL ASSETS		**690,231,617**	569,626,323
EQUITY AND LIABILITIES			
Equity			
Stated capital	9	**673,717,949**	572,264,029
Accumulated losses	10	**(66,957,859)**	(88,971,972)
TOTAL EQUITY		**606,760,090**	483,292,057
Current liabilities			
Trade and other payables	11	**83,379,548**	86,334,266
Taxation	6	**91,979**	-
		83,471,526	86,334,266
TOTAL EQUITY AND LIABILITIES		**690,231,617**	569,626,323

Approved by the Board of Directors on 03 June 2011

sd/-	**sd/-**
DIRECTOR	**DIRECTOR**

The notes on pages 8 to 19 form an integral part of these financial statements.

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

	Notes	2011 Rs.	2010 Rs.
Turnover		**319,267,260**	258,456,041
Cost of sales (Appendix I)		**(115,279,435)**	(105,262,220)
Gross profit		**203,987,825**	153,193,821
Personnel expenses		**(14,519,192)**	(9,552,645)
Licence fee		**(21,214,675)**	(21,352,008)
Administrative expenses (Appendix IV)		**(88,397,097)**	(64,708,793)
Marketing expenses (Appendix V)		**(12,562,055)**	(12,100,258)
Depreciation		**(44,231,720)**	(43,650,855)
Total comprehensive income from operations	**12**	**23,063,085**	1,829,262
Other income	**13**	**484,000**	355,125
Net finance income	**14**	**4,242,569**	4,314,550
Total comprehensive income before taxation		**27,789,654**	6,498,937
Taxation	**6**	**(5,775,541)**	(2,978,519)
Total comprehensive income for the year		**22,014,113**	3,520,419
Earnings per share	**18**	**0.03**	0.01

The notes on pages 8 to 19 form an integral part of these financial statements.

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MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2011

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
Balance at 01 April 2008	**494,187,544**	**(57,677,029)**	**436,510,515**
Issue of share capital	73,048,308	-	73,048,308
Total comprehensive loss for the year	-	(34,815,362)	(34,815,362)
Balance at 31 March 2009	**567,235,852**	**(92,492,391)**	**474,743,461**
Issue of share capital	5,028,177	-	5,028,177
Total comprehensive income for the year	-	3,520,419	3,520,419
Balance at 31 March 2010	**572,264,029**	**(88,971,972)**	**483,292,057**
Issue of share capital	101,453,920	-	101,453,920
Total comprehensive income for the year	-	22,014,113	22,014,113
Balance at 31 March 2011	**673,717,949**	**(66,957,859)**	**606,760,090**

The notes on pages 8 to 19 form an integral part of these financial statements.

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MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011

	Note	2011 Rs.	2010 Rs.
Cash flow from operating activities			
Total comprehensive income before taxation		**27,789,654**	6,498,937
Adjustments for:-			
Depreciation		**44,231,720**	43,650,855
Interest received		**(4,171,451)**	(2,073,574)
Operating profit before working capital changes		**67,849,923**	48,076,218
Increase in trade and other receivables		**(115,647,894)**	(31,901,893)
(Decrease) / increase in trade and other payables		**(2,954,719)**	12,640,138
Cash (absorbed into) / generated from operations		**(50,752,690)**	28,814,463
Interest received		**4,171,451**	2,073,574
Net cash (used in) / from operating activities		**(46,581,239)**	30,888,038
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**14,497,231**	16,536,935
Equipment under construction		**(55,960,143)**	(9,970,736)
Purchase of property, plant and equipment		**(12,655,163)**	(30,713,662)
Net cash (used in) / from investing activities		**(100,699,314)**	6,740,575
Cash flows from financing activities			
Issue of share capital		**101,453,920**	5,028,177
Net increase in cash and cash equivalents		**754,606**	11,768,753
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**30,085,773**	18,317,020
Cash and cash equivalents at the end of the year	8	**30,840,379**	30,085,773
Net increase in cash and cash equivalents		**754,606**	11,768,753

The notes on pages 8 to 19 form an integral part of these financial statements.

MAHANAGAR TELEPHONE (MAURITIUS) LTD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011

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. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

2.1 New and revised IFRSs affecting amounts reported in the current year (and/or prior years)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the presentation and disclosure but not the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section 2.2.

2.1.1 New and revised IFRSs affecting presentation and disclosure only.

- Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009).

  The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current.

- Amendments to IAS 7 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009).

  The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows.

- *Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010).*

  The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

- *Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010).*

  The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in notes to the financial statements.

2.2 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs have also been adopted in these financial statments. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangemnts.

Improvements to IFRSs issued in 2009 Except for the amendments to IAS 1 and IAS 7 escribed earlier in section 2.1, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the financial statements.

2.3 New and revised IFRSs in issue but not yet effective

The Company has not early applied the following new and revised IFRSs that have been issued but are not yet effective, as the directors do not anticipate that these new and revised IFRSs will have a significant effect on the Company's disclosures: *mprovements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28) - (Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate)*

- *Amendments to IFRS 1, Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (Effective for annual periods beginning on or after 1 July 2010)*
- *Amendments to IFRS 7, Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011)*
- *IAS 24 (as revised in 2009), Related Party Disclosures (Effective for annual periods beginning on or after 1 January 2011)*
- *Amendments to IAS 32, Classification of Rights Issues (Effective for annual periods beginning on or after 1 February 2010)*
- *Amendments to IFRIC 14, Prepayments of a Minimum Funding Requirement (Effective for annual periods beginning on or after 1 January 2011)*
- *IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (Effective for annual periods beginning on or after 1 July 2010)*

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments. Historical cost is enerallybased on the fair value of the consideration given in exchange for assets.

(c) Opearating lease

Payments made under opearting leases are recognised in the statement of comprehensive ivcome on a straight line basis over the term of the lease.

The following new and revised IFRSs have also been adopted in these financial statements. The application of these new and revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

3.A SIGNIFICANT ACCOUNTING POLICIES SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Revenue recognition*

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

Revenue is recognised on an accrual basis and is net of discount. International revenue is derived from outgoing calls from Mauritius and from payments by foreign network operators for calls and other traffic that originate outside Mauritius but which use the Company's network.

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

(e) ***Functional and presentation currency***

(i) *Reporting currency*

The financial statements are presented in Mauritian Rupees (Rs), which is the Company's functional and presentation currency. This represents the currency of the primary economic environment in which the entity operates.

(ii) *Transactions and balances*

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities in foreign currencies at year end exchange rates are recognised in the statement of comprehensive income.

(f) *Taxation*

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

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

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

(g) ***Cash and cash equivalents***

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

(h) ***Finance income and expense***

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

(i) Deferred tax

Deferred taxation is provided using the liability method on all temporary differences at the end of the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Temporary differences arise mainly from depreciation on property, plant and equipment, revaluation of certain non-current assets, tax losses carried forward and on retirement benefit obligations.

(j) Stated capital

Ordinary shares are classified as equity.

(k) Financial liabilities

Financial liabilities, including loans from related parties, are stated at fair value, which is normally the face value of the loans.

(l) *Related parties*

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

Related parties may be individuals or other entities.

(m) Financial Instruments

Financial instruments carried on the statement of financial position include , trade and other receivables, cash and cash equivalents, and payables. The particular recognition methods adopted are disclosed in the individual accounting policy statements associated with each item.

(n) *Non-derivative financial instruments*

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

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

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

Cash and cash equivalents comprise cash balances and call deposits. Bank overdraft is included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Other non derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES

(o) *Property, plant and equipment*
Recognition and measurement

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

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

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

Subsequent costs

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

Depreciation

Depreciation is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and quipment. 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. SIGNIFICANT ACCOUNTING POLICIES

(p) Account receivable

Account receivable is stated at its nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(q) Account payable

Account payable is stated at its nominal value.

(r) Provisions

Provisions are recognised when the Company has a present or constructive obligation as a result of past events which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

(s) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangibles assets to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the period of the revision and future periods if the revision affects both current and future periods.

Where applicable, the notes to the financial statements set out areas where anagement has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4.1 *Key sources of estimation uncertainty*

With regards to the nature of the Company's business there were no key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Property, plant and equipment

COST	Computer equipment Rs	Furniture fixtures and fittings Rs	Office equipment Rs	Motor vehicles Rs	Plant and equipment Rs.	Total Rs
At 01 April 2010	704,102	2,204,518	891,152	2,259,738	466,433,756	472,493,267
Additions		82,513	4,916	26,078	12,541,656	12,655,163
Disposal	-	-	-	-	(14,497,231)	(14,497,231)
At 31 March 2011	**704,102**	**2,287,031**	**896,068**	**2,285,816**	**464,478,181**	**470,651,199**
DEPRECIATION						
At 01 April 2010	390,273	366,353	116,350	980,353	150,107,088	151,960,417
Charge for the year	108,428	132,569	40,281	216,257	43,734,185	44,231,720
Disposal adjustment	-	-	-	-	-	-
At 31 March 2011	**498,701**	**498,922**	**156,631**	**1,196,610**	**193,841,273**	**196,192,137**
NET BOOK VALUE						
At 31 March 2011	**205,401**	**1,788,109**	**739,437**	**1,089,206**	**270,636,908**	**274,459,062**
At 31 March 2010	313,829	1,838,165	774,802	1,279,385	316,326,668	320,532,850

6.Taxation

	2011 Rs.	2010 Rs.
The Company is liable to income tax at the rate of 15 % (2010: 15%) on its profit as adjusted for tax purposes.		
Current tax charge	-	-
Corporate social responsibilty liability **129,979**	-	
Deferred tax charge	**5,645,562**	2,978,51
Total tax expense in the statement of comprehensive income	**5,775,541**	2,978,519
Reconciliation of effective taxation		
Total comprehensive income before taxation	**27,789,654**	6,498,937
Income tax at 15%	**4,168,448**	974,841
Non-allowable expenses	**3,651,699**	1,850,343
Tax rate differential	**1,565,349**	(214,920)
Tax losses	**(48,536,819)**	(51,147,083)
	(39,151,323)	(48,536,819)
Deferred tax assets		
At 01 April 2010	**13,108,817**	16,087,336
Movement during the year	**(5,645,562)**	(2,978,519)
At 31 March 2011	**7,463,255**	13,108,817
Deferred tax assets are analysed as follows:		
Accelerated capital allowances	**(31,688,067)**	(35,428,001)
Tax losses	**35,551,322**	46,703,042
Provision for bad debts	**3,600,000**	1,833,776
	7,463,255	13,108,817

7. Trade and other receivables

	2011 Rs.	2010 Rs.
Trade receivables	**122,058,290**	133,306,750
Other receivables and prepayments	**189,479,752**	62,621,398
	311,538,042	195,928,148

8. Cash and bank balances

Cash in hand and at bank	**30,840,379**	30,085,773
Bank overdraft	**-**	-
	30,840,379	30,085,773

9. Stated capital

Ordinary shares of no par value	**673,717,949**	572,264,029

10. Accumulated losses

At 01 April 2010	**(88,971,972)**	(92,492,391)
Total comprehensive income for the year	**22,014,113**	3,520,419
At 31 March 2011	**(66,957,859)**	(88,971,972)

11. Trade and other payables

Trade payables	**22,107,069**	31,422,019
Other payables	**61,272,479**	54,912,247
	83,379,548	86,334,266

12. Total comprehensive income from operations

Total comprehensive income from operations is arrived at after charging the following items:-

Staff costs	**14,519,192**	9,552,645
Depreciation on property, plant and equipment	**44,231,720**	43,650,855
Directors' emoluments	**5,000**	5,000
Auditors' remuneration	**90,000**	90,000
Number of employees at end of the year	**12**	11

	2011 Rs.	2010 Rs.
13. Other income		
Other income	**484,000**	355,125
14. Net finance expense		
Interest income	**4,171,451**	2,073,574
Foreign exchange gain	**71,118**	2,706,588
Finance income	**4,242,569**	4,780,163
Interest expense	**-**	-
Foreign exchange losses	**-**	(465,613)
Finance expense	**-**	(465,613)
Net finance expense	**4,242,569**	4,314,550

15. Earnings per share

The calculation of earnings per share is based on total comprehensive income for the year after taxation attributable to ordinary shareholders and on the number of shares in issue throughout the two years ended 31 March 2011.

16. Related party transactions

	2011 Rs.	2010 Rs.
The Company had the following transactions with related parties.		
Directors fees	**5,000**	5,000
Remuneration and other short term benefits to key management personnel	**3,816,383**	2,983,735

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

17. Holding company

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

18. Commitments

(a) Operations leases

Leases as lessee

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

	BTS sites Rs	Buildings Rs	Total Rs
Within one year	4,716,055	-	4,716,055
Between one year and five years	23,580,275	-	23,580,275
Over five years	6,765,945	-	6,765,945
	35,062,275	-	35,062,275

(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 22,987,500/-.**

(c) Capital commitments

Capital expenditure contracted and not provided for in the accounts amount to Rs 435,000,000/-

19. Capital risk management

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

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

20. Financial instruments

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

(a) Market risk

(i) Foreign exchange risk

The Company has assets and liabilities denominated in foreign currencies. Consequently, theCompany 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.

18. Financial instruments (Continued)

(i) Foreign exchange risk

Categories of financial instruments	2011 Rs	2010 Rs
Financial assets		
Trade and other receivables	**311,538,042**	195,928,148
Cash and cash equivalents	**30,840,379**	30,085,773
	342,378,421	226,013,920
Financial liabilities		
Trade and other payables	**83,379,548**	86,334,266

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:

	2011		2010	
	Financial assets Rs	Financial liabilities Rs	Financial assets Rs	Financial liabilities Rs
Mauritian Rupees (MUR)	**342,378,421**	**83,471,526**	226,013,920	86,334,266
	342,378,421	**83,471,526**	226,013,920	86,334,266

(ii) Interest rate risk management

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

(a) Market risk (Continued)

(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. Events after the reporting period

There are no events after the reporting period which may have a material effect on the financial statement at 31 March 2011.

20. Financial summary

	2011	2010	2009
	Rs.	Rs.	Rs.
Issued and Fully Paid Up Stated capital	**673,717,949**	572,264,029	567,235,852
Accumulated losses	**(66,957,859)**	(88,971,972)	(92,492,391)
Total comprehensive income before taxation	**27,789,654**	6,498,937	(41,438,122)
Total comprehensive income for the year	**22,014,113**	3,520,419	(34,815,362)

APPENDIX – I

MAHANAGAR TELEPHONE (MAURITIUS) LTD
SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011

		2011 Rs.	2010 Rs.
I.	**Cost of sales**		
	ICTA Special account fee / Universal Service Fund Charges	**8,730,111**	5,717,799
	Carrier charges	**29,435,960**	26,986,572
	IPLC charges	**8,009,974**	4,620,700
	Cost of subscribers acquisition	**4,731,068**	3,461,603
	IUC charges	**64,372,322**	64,475,545
		115,279,435	105,262,220
II.	**Personnel expenses**		
	Salaries and allowances	**13,176,987**	8,828,719
	Other benefits	**1,342,205**	723,926
		14,519,192	9,552,645
III.	**Licence fees**		
	PLMN	**8,000,004**	8,000,004
	PSTN	**7,999,671**	8,000,004
	ILD	**1,999,992**	1,999,992
	Microware	**1,000,008**	1,000,008
	Spectrum	**2,160,000**	2,286,000
	ISP	**50,000**	50,000
	Dealership	**5,000**	16,000
		21,214,675	21,352,008

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MAHANAGAR TELEPHONE (MAURITIUS) LTD APPENDIX II

SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011

		2011 Rs.	2010 Rs.
IV.	**Administrative expenses**		
	Meeting expenses	**98,306**	142,731
	Fraud tracking charges	**7,154,219**	-
	Conveyance charges	**7,727**	3,479
	Rental for ebene	**450,000**	-
	Directors fees	**5,000**	5,000
	Rental accomodation	**1,407,664**	1,574,030
	Rental BTS sites	**5,297,905**	5,034,619
	Rental of building	**3,052,044**	2,774,593
	Rental of stores	**54,000**	101,064
	Company licence	**6,000**	6,000
	Electricity	**15,929,049**	14,152,991
	Water charges	**39,797**	92,433
	Motor vehicle running expenses	**490,456**	679,449
	Vehicle hire charges	**622,453**	753,907
	Repairs and maintenance - mess	**574,223**	544,616
	Fuel for BTS	**13,208**	32,500
	Repairs and maintenance - office	**255,262**	323,258
	Cuttlery expenses	**-**	3,256
	CRBT Expenditure	**-**	538,453
	Repairs and maintenance - shop	**279,976**	270,021
	Repairs and maintenance of FWPS	**739,000**	17,585
	Repairs and maintenance	**449,958**	224,925
	Maintenance sites	**1,155,571**	1,172,899
	Printing	**1,671,806.2**	956,945
	Stationery	**465,010**	397,557
	Communication expenses	**3,661,155**	3,037,109
	Bank charges	**1,109,820**	859,060
	Library books	**735**	-
	Horticulture expenses	**16,300**	12,425
	Computer consumables and repairs	**-**	51,421
	Professional charges	**111,376**	194,176
	General expenses	**78,618**	135,290
	Entertainment	**116,083**	110,449
	Repairs of office equipment	**-**	14,901
	Commission and brokerage fees	**14,935,931**	14,666,067
	Office insurance	**415,020**	412,966
	Security charges	**2,149,445**	765,768
	Rates and taxes	**1,330,885**	2,077,001
	Provision for bad debts	**24,000,000**	12,225,174
	Lease rental	**168,000**	98,000
	Freight charges	**12,627**	54,395
	Custom duty and clearance	**72,469**	192,280
		88,397,097	64,708,793

V. Marketing expenses

Electricity for shops	**410,719**	251,219
Club membership	**5,200**	2,000
Rent of shops	**2,121,460**	1,863,338
Call centre charges	**4,953,785**	4,812,785
Printing expenses	**-**	31,525
Publicity and advertisement	**5,066,891**	5,135,391
Website development and maintenance	**4,000**	4,000
	12,562,055	12,100,258

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Registered Office: Jeevan Bharti Building, 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 Mahanagar Telephone Nigam Ltd. hereby appoint Shri/ Smt. .... of ....in the district of .... or failling him/her, Shri/Smt.............................of in the district of ....a, as my/our proxy to attend and vote on my/our behalf at the 25th Annual General Meeting of the Company to be held on 29th September, 2011 at 11.30 A.M or any adjournment thereof.

Date .... Signature ....

Note:

1. The Proxy need NOT be a member.
2. The Form signed across the revenue stamp of requisite value should reach the Company's Registered Office at least 48 hours before the meeting.

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

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

MAHANAGAR TELEPHONE NIGAM LIMITED

Registered Office: Jeevan Bharti Building, Tower-I, 12th Floor,
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ADMISSION SLIP

Name .... Folio No. .... No. Of Shares ....
DP-Id .... Client Id* ....

I hereby record my presence at the 25th Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at NDMC Indoor Stadium, Talkatora Garden, (Near Ram Manohar Lohia Hospital), New Delhi-110001 on 29th September, 2011 At 11:30 A.M.

NAME OF PROXY, IF APPLICABLE (IN BLOCK LETTERS)

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

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

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