MTNL

Twenty Sixth
Annual Report
2011-12

MAHANAGAR TELEPHONE NIGAM LIMITED

(A Nav Ratna Company)

MISSION OF MAHANAGAR TELEPHONE NIGAM LIMITED

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

MTNL

CONTENTS

BOARD OF DIRECTORS
(AS ON 01.09.2012)

Shri A.K. Garg	Chairman & Managing Director
Shri Kuldip Singh	Director (Technical)
Smt. Anita Soni	Director (Finance)
Shri S.P. Pachauri	Director (HR)
Sh. Vijay Aggarwal	Director
Shri T.S. Narayanasami	Director
Dr. Rajan Saxena	Director
Shri Sushil Kumar Shingal	Director
Shri Malay Shrivastava	Director
Shri Kumar Sanjay Bariar	Director

COMPANY SECRETARY

S.R. SAYAL

REGISTERED AND CORPORATE OFFICE

Mahanagar Doorsanchar Sadan

5th Floor, 9, CGO Complex,

Lodhi Road,

New Delhi - 110 003

Tel : 011-24310212, 24320051

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 Arun K Agarwal & Associates.

Chartered Accountants

105,South Ex Plaza -1,389, Masjid Moth

South Ex Part - II, New Delhi - 110 024

Phone : 011 26256810,26257400 Fax: 011-46035037

COST AUDITOR

M/s R.M.Bansal & Co.

Cost Accountants

74, State Bank Colony, G.T.Karnal Road, Delhi - 110033

BANKERS

State Bank of India, New Delhi/Mumbai

Indian Overseas Bank, New Delhi/Mumbai

Punjab National Bank, Mumbai

ICICI Bank, New Delhi/Mumbai

Oriental Bank of Commerce, New Delhi

Central Bank of India, Mumbai

Dena Bank, New Delhi/Mumbai

Federal Bank, New Delhi

Bank of Baroda, New Delhi

Union Bank of India, New Delhi/Mumbai

United Bank of India, New Delhi

Vijaya Bank, New Delhi/Mumbai

Indian Bank, New Delhi,ICICI Bank, Mumbai

AXIS Bank, New Delhi/Mumbai

Standard Chartered 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

Investors Helpdesk

Ph : 011-24317225 E-mail : mtnligrc@bol.net.in

26th Annual General Meeting on Friday, September 28, 2012 at 11.30 A.M. at Conference Hall Mahanagar Doorsanchar Sadan, Floor 9, CGO Complex, Lodhi Road, New Delhi-110003

The Annual Report can also be accessed at www.mtnl.net.in and websites of Stock Exchanges

MTNL

NOTICE

NOTICE is hereby given that the Twenty Sixth Annual General Meeting of the members of **Mahanagar Telephone Nigam Limited** will be held on **Friday, 28th September 2012 at 11.30 A.M. at Auditorium, Mahanagar Doorsanchar Sadan, 9,CGO Complex, Lodhi Road, New Delhi-110003** 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, 2012 and the Profit and Loss Account for the year ended on that date together with the reports of the Auditors and Directors thereon 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. Rajan Saxena, who retires by rotation and being eligible, offers himself for reappointment.

   (b) To appoint a director in place of Shri Kumar Sanjay Bariar, 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 2012-13.

II. SPECIAL BUSINESS:

(i) To pass, with or without modifications, the following Resolution as on Ordinary Resolution:-

"RESOLVED THAT Shri Sushil Kumar Shingal who was appointed as non-official part-time director of the company by the Govt of India, D.O.T. vide their letter dated 08th May, 2012 for a period of 3 years and whose appointement was ratified by the Board in terms of Articles of Association of the company as Additional Director of the company from 11th May, 2012 till this AGM, be and is hereby appointed as Director of the Company from the date of this AGM i.e. 28th September, 2012 subject to retirement by rotation, as per the provisions of Companies Act. 1956"

(ii) To pass, with or without modifications, the following Resolution as Special Resolution:-

RESOLVED THAT subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, and the rules framed thereunder, Listing Agreement, SEBI (Delisting of Securities) Guidelines, 2003, and such other applicable laws, rules, regulations and guidelines, and subject to such approvals, permissions and sanctions, as may be necessary, the Board of Directors of the company be and is hereby authorised to seek voluntarily delisting of its securities from Delhi,Calcutta and Madras Stock Exchanges."

"Resolved Further that the securities of the company shall continue to be listed on the stock exchanges having nation wide trading terminals viz the Bombay Stock Exchange (BSE) and National Stock Exchange (NSE) and therefore, as per the said guidelines issued by the Securities and Exchange Board of India, no exit opportunity need to be given to the shareholders of the company."

"Resolved further that the Board of directors of the company be and is hereby authorised to do all such acts, deeds, matters and things as it may in its absolute discretion deem necessary or desirable and to execute all such deeds and documents as may be considered necessary and expedient to give effect to the above said resolution."

Explanatory Statement pursuant to Section 173 of the Companies Act,1956 is enclosed.

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

sd/-

(S.R. SAYAL)
Company Secretary

Place : New Delhi
Date : 1st September, 2012

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

Item no (i)

Shri Sushil Kumar Shingal was appointed as non-official part-time director of the company by the Govt of India,D.O.T. vide their letter dated 08th May,2012 for a period of 3 years. In terms of Articles of Association of the company. Shri Sushil Kumar Shingal was appointed as Additional Director of the company by the Board with effect from 11th May, 2012. Shri Shingal hold's office till AGM pursuant to the provisions of the Companies Act., 1956. Accordingly, Shri Sushil Kumar Shingal may be appointed as Director of the Company from the date of AGM i.e. 28th September, 2012 in pursuance to D.O.T.'s aforesaid letter dated 08th May, 2012 subject to retirement by rotation as per the provisions of the Companies Act."

Shri Sushil Kumar Shingal is having Master of Arts (History) degree from Meerut University.

He had joined Customs and Central Excise Service in 1970. He has retired from the Government service on 31st March, 2008. He has retired as Chairman, Central Board of Excise and Customs, New Delhi.

In terms of D.O.T.'s letter dated 08th May, 2012, the tenure of appointment of Shri Sushil Kumar Shingal is three years.Therefore, the appointment of Shri Sushil Kumar Shingal is recommended by the Board for approval by the Shareholders.

None of the directors except Shri Sushil Kumar Shingal is personally interested in the resolution.

Item no (ii)

The Securities & Exchange Board of India (SEBI) notified guidelines for voluntary delisting of securities from the stock exchanges. As per clause 5.2 of SEBI (Delisting of Securities) Guidelines, 2003 an exit opportunity to the shareholders need not be given where securities of the company remain listed on the stock exchange having nation wide trading terminal i.e. The Bombay Stock Exchange (BSE), the National Stock Exchange of India (NSE) and any other stock exchange that may be specified by SEBI in this regard.

At present the equity shares of the company are listed at Delhi, Calcutta, Madras, Bombay and National Stock Exchange.

Considering the nil/negligible volume of trading and as a part of its cost reduction measure, the consent of members is sought for getting its securities delisted from Delhi, Calcutta and Madras Stock Exchange as proposed in the special resolution. The securities of the company shall continue to be listed on the the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE).

The Board recommends the resolution for approval of members.

None of the directors is having any personal interest in the said resolution.

By order of the Board
For **MAHANAGAR TELEPHONE NIGAM LIMITED**
sd/-
(S.R. SAYAL)
Company Secretary

Place : New Delhi
Date : 1st September, 2012

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 MAHANAGAR DOORSANCHAR SADAN, 5TH FLOOR, 9 CGO COMPLEX, LODHI ROAD, NEW DELHI-110003. 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 2012. (Both days inclusive).

3. The Members are requested to notify immediately change of address and e-mail address, if any, to :-

   (i) The company at its regestered office of 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 and also will be available on the website of Stock Exchanges.

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, 2005 would be liable for transfer to the IEPF. As such, members who have not yet encashed their dividend warrant(s) for the financial year ended 31st March, 2005 and /or subsequent years are requested to submit their claims to the Company or RTA 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 has implemented **"Green Initiative"** from this year. Henceforth, the email addresses indicated in your respective Depository Participant (DP) accounts which will be peridically downloaded from NSDL/ CDSL are 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.

    All 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 Depository Participants (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

By order of the Board
For **MAHANAGAR TELEPHONE NIGAM LIMITED**
sd/-

(S.R. SAYAL)
Company Secretary

Place : New Delhi
Date : 1st September, 2012

MTNL

DIRECTOR'S REPORT

To

The Shareholders
of **Mahanagar Telephone Nigam Limited**

Dear Shareholders,

Your Director present the 26th 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, 2012.

PERFORMANCE REVIEW OF MTNL FOR THE FY 2011-12

With the liberalization of the telecommunications sector in India the number of operators & availability of deliverable technologies on telecom front are continuously on the rise. Consequently, during the year 2011-12 MTNL faced stiff competition from other operators. Moreover, MTNL is confined only to the cities of Delhi and Mumbai which are having more than 150% tele-density and are among the most competitive markets in India. These factors have contributed in increased pressure on margins (sliding average revenue per user) due to falling tariffs and also on customer retention and acquisition.

Further, the payment of exorbitant spectrum charges in excess of ₹11,000 Crore for acquiring 3G and BWA spectrum that too only for Delhi & Mumbai has put tremendous strain on the finances of the company. This fund requirement was met through short term loans of about ₹7,563 Crore & remaining from its own resources.

Having achieved the telephone on demand situation in both the cities, the main thrust in 2011-12 was on the expansion of existing mobile and broadband services in both Delhi and Mumbai to provide high speed internet, high quality video and new generation wireless services. Plans have been made to expand latest technology like IP-MPLS, FTTH based on G-PON, IN Junction and Access network,etc.

MTNL also made considered efforts to maximize revenue by gainful utilization of its assets by:

I. sharing our passive as well as active infrastructure, such as towers and core capacity; and

II. sharing and developing our real estate.

- *MTNL has huge assets in the form of land & building and of late has been making efforts for renting out the spare space and has also been successful to some extent. With the advancement of technology the space occupied by the equipment is shrinking day by day and more and more space is getting available. In its constant effort for generation of additional revenues, MTNL has rented out the spare space available in different offices / exchange buildings across Delhi and Mumbai. In addition, MTNL has considerable assets in the form of spare capacity available in the installed equipment. MTNL intends to rent out this available spare capacity and generate additional revenue .*

Action has also been taken to generate fresh demands by providing quality services, better customer care & satisfaction, introduction of new services / schemes and innovative marketing strategies. MTNL is continuously upgrading its exchanges and external plants and during the year 2011-12 this effort has been continued vigorously.

Achievements made during 2011-12 are as under:

- *In fiscal year 2008, we commissioned a state of art IP/MPLS core network in Delhi and Mumbai to provide a converged IP network for all services. To take advantage of IP network and to improve the services the company worked on the expansion of this network in 2011-12 and deployed around 10 Core + 70 edge & aggregate routers in Delhi and 10 Core + 67 edge & aggregate routers in Mumbai leading to creation of around 50 POPs (Point of presence) each in Delhi and Mumbai.*
- *To bring optical fiber near / to subscriber's premises in order to meet the ever increasing bandwidth demand of customers, we are adding optical fibre in the access network and are deploying FTTH based on GPON. This will enable MTNL to provide access to this latest technology to its' esteemed customers with very high bandwidth. MTNL has already commercially launched the data services on FTTH. Voice services on FTTH are going to be launched soon.*
- *DoT has directed all Service Providers to migrate IPv4 to IPv6 enabled network latest by Dec 2011. IPv6 migration was a challenging task as MTNL has many legacy networks and equipments for various Line of Business i.e Broadband, Wireless, Leased Circuit etc. Accepting this challenge MTNL took proactive steps for the successful implementation of the same.*

FINANCIAL RESULTS

Sources and application of funds for the year 2011-12 are given below:-

(In Million ₹)

	2011-12	**2010-11**
Income from Operations	33732.53	36739.52
Expenditure (excluding Interest & prior period Adjustments)	67200.21	63154.64
Operating Profit /(Loss)	(33467.68)	(26415.12)
Other Income	2511.64	3180.44
Interest	9491.62	4514.76
Profit/(Loss) before Tax	(40447.66)	(27749.44)
Tax Provision for the Year	0.00	285.38
Prior Period Adjustments	650.18	(15.67)
Net Profit / (Loss) for the Year	(41097.84)	(28019.16)
Appropriation		
Interim/Proposed Final dividend	0.00	0.00
Dividend Tax	0.00	0.00
Transfer to/(from):		
a) Contingency Reserve	(189.85)	(2387.95)
b) Reserve for R&D	0.00	0.00
SOURCES AND USES OF FUNDS		
Authorised Capital	8000.00	8000.00
Issued, Subscribed & paid-up Capital	6300.00	6300.00
Reserves & Surplus	19066.97	60164.81
Secured and Unsecured Loan	96474.93	74556.75
Deferred Tax Liability (Net)	0.00	0.00
REPRESENTED BY		
Fixed Assets (Net Block)	157601.75	163230.30
Investment	4919.79	4946.58
Other Assets	97579.89	94728.10
Other liabilities	147229.47	133421.58
Capital Work-in-Progress	8969.95	11538.15

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 2011-12, 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 Ventures companies namely:-

(i) Millennium Telecom Ltd. (MTL)

MTL was formed by MTNL as its wholly owned subsidiary company basically for providing internet and other value added services in the year 2000. During the year 2007-08 MTL had decided to undertake undersea cable laying project to have own undersea cable from India to Middle East with ultimate aim to extend upto USA. As per the directions of the DOT, BSNL was taken as 50% Joint Venture partner in the said project. However, during 2010-11 the Board had observed that, the cost of laying cable was very high while the bandwidth prices had gone down. Accordingly, the Board decided not to undertake the said project. Later in the year 2011, the Board decided to undertake new activities alongwith BSNL but in 2012, BSNL has withdrawn itself from the Joint Venture stating that since the Sub-marine cable project has been discontinued, there is no need to continue with the Joint Venture. Thus, as of now, MTL is a wholly owned subsidiary of MTNL. The Board of MTL has now decided to enter into new lines of business which could be telecom related as well as other areas. Some of the new lines of business could be Infrastructure sharing, Data Centre Outsourcing application including Web Hosting, Cloude Computing, Providing Turn Key Solution in response to various tenders in Central Government/State Governments/PSUs Banks/Private Corporates, etc. or directly on GFR basis, Marketing and Selling of digital signatures of MTNL, taking franchisee/distributorship of MTNL Mobile Products and SIM Cards of other operators. The Management is working on the above line of business and is hopeful to generate revenue in the years to come.

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

MTML is a 100% subsidiary of MTNL. The company is having license for mobile services, international long distance services and internet services. During the year 2011-12, MTML has installed 100K GSM network with EDGE to meet the increasing demands as the existing CDMA capacity is already fully utilized in Nov - 2011. The current customer base is 106,402 in CDMA and 18,056 customers in GSM. As per the planning, the company has launched High Speed Data services all over the country through EVDO Network.

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 has achieved a turn-over of INR 494 Million during this fiscal year 2011-12 compared to the last fiscal year turn-over of INR 499 Million, through these telecom services due to reduction of tariff due with IUC rate reduction. However, MTML has earned increased net profit of INR 55 Million (before tax) in this fiscal year compared to last fiscal year's net profit (before tax) of INR 43 Million.(increase of 27%) due to strict control over expenditure.

During this year 2011-12, in addition to its own technical building MTML has started the construction of its administrative building with 7 floors at an estimated cost of INR 170M and the same is expected to be completed in this fiscal year.

All the expenses of the company are paid by its own internal resources and also met the CAPEX made for the procurement of the equipments.

(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 7,21, 333 in numbers and the PCOs are 1,005.

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 2012 (2011-2012), the company has reported a net profit of INR 59 million.

(iv) MTNL STPI IT SERVICES LTD (MSITS)

The Joint Venture (JV) MSITS was incorporated on 31/03/2006 under the Companies Act, 1956, with authorized Capital of ₹ 50 crores. The main objective of the JV Company is to provide data center services, messaging services, business application services to the identified sectors of economic activity.

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 the physical infrastructure of Data Centre (Tier III) with a server farm area of around 3400 sqft. The total investment made in this regard is of ₹ 477 lakhs. MSITS is maintaining the Data Center as per Tier III standard with 99.98% uptime on 24 X 7 scale.

The commercial operation 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 physical security and to support other collocation requirements that may arise caging had been done in inside the Data Center.

In addition the existing facility at Chennai, it has been proposed to setup Green Data Centers in the total area of 8000 sqft and 10000 sqft in Hyderabad and New Delhi respectively. Towards this , MSITS has appointed the consultant through proper tender procedure. MSITS has earned the revenue for the period for the year 2010-11: ₹ 29.65 million and for the year 2011-12: ₹ 30.30 million.

MSITS is headed by the CEO and 3 officials have been posted from MTNL and 2 officials from STPI - Chennai are supporting the CEO for MSITS operations in Chennai.

MTNL

DETAILS OF SYSTEM STATUS FOR THE FINANCIAL YEAR 2011-12 (31.03.2012)

S. No	Parameters	Delhi	Mumbai	Total
1	Number of switches	366	229	595
2	Equipped Capacity	6,346,995	6,138,177	12,485,172
	(a) Fixed Phones including WLL Fixed Phones	2,771,995	2,570,947	5,342,942
	(b) WLL	550,000	542,230	1,092,230
	(c) GSM	3,025,000	30,25,000	60,50,000
	DLC capacity	160,152	119,006	279,158
	Digitalization % lines	100	100	200
3	DELs*	4,44,8993	4,841,134	9,290,127
4	Details of Net DELs			
	(a) Fixed Line	1,563,034	1,894,695	3,457,729
	(b) WLL-Fixed	26,833	81,334	108,167
	(c) WLL-Mobile	107,364	31,785	139,149
	(d) GSM	2,751,762	2,833,320	5,585,082
5	Broadband			
	(a) Subscribers	476,127	564,064	1,040,191
	(b) Capacity (in ports)	786,192	845,908	1,632,100
6	IPTV	13,308	4,149	17,457
7	VOIP	2,193	1,847	4,040
8	Internet connection	20,421	879,044	899,465
	(a) Prepaid	20,249	274	20,523
	(b) Postpaid	172	878,770	878,942
9	Payphones	60,972	97,998	158,970
10	ISDN	8,646	16,135	24,781
11	DLC (No)	425	523	948
12	Tax Capacity	150,000	115,200	265,200
13	Tandem Capacity	402,500	439,900	842,400
14	Optical fiber cable			
	(a) In Route KMs	8,346.35	7,589.01	15,935.36
	(b) In Fiber KMs	260,522.05	245,091.06	505,613.11
15	Leased Circuits	13,674	38,427	52,101
16	Replacement of PCUT Cable (in LKCM)	31.059	15.711402	46.770402

*including WLL fixed, WLL mobile & GSM

HUMAN RESOURCE DEVELOPMENT

The Company attaches the highest priority to the quality of intellectual capital at its disposal and believes that knowledge and skill of its employees are the key to achievements of its corporate mission. MTNL has 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 managements' view on training is one of development of employee's overall personality and enabling them in becoming a vital productive resource.

TRAINING TARGETS AND ACHIEVEMENTS

The Training Targets and Achievements for the Financial year 2011-12 is given below:-

UNIT	Number of Persons Trained Target	Achievement	Number of Man Days Target	Achievement
DELHI	7000	4337	21000	44156
MUMBAI		6076		38542
TOTAL	**7000**	**10413**	**21000**	**82698**

At present MTNL has two state of the art training centres located in New Delhi and Mumbai:-

(I) THE INSTITUTE OF TELECOM, TECHNOLOGY & MANAGEMENT (ITTM) SHADIPUR, NEW DELHI

The Institute of Telecom, Technology & Management,ITTM Shadipur, New Delhi is a state of the art training centre of MTNL, Delhi engaged in imparting induction training and short duration training to its officers and employees in the field of Telecom,IT, Computer system and Management.

With impressive growth of Telecom sector in India, the requirement of telecom trained personnel is growing day by day. Realizing this ever growing demand for telecom personnel,ITTM started training engineering students also as part of their summer training.Since 2011,ITTM has trained more than 900 students of various engineering colleges.

ITTM has the necessary infrastructure, technical and academic competence and excellence for providing training in specialized courses in the field of GSM, BroadbandTechnology, Switching, Transmission, ExternalPlant, IT, Computer System & Management.

(II)CENTRE FOR EXCELLENCE IN TELECOM TECHNOLOGY AND MANAGEMENT (CETTM), MUMBAI

The competition in the field of training is increasing tremendously with each passing day. Despite of the fierce competition, CETTM has successfully shown 65 % increase in revenue during financial year 2011-12 with clientèle from various sectors like BPO, Banking, Fianance, oil, pharma, IT etc. Keeping to its tradition, CETTM has also added more than 50 new clients to its already existing long clientèle.

Nine vacation courses (of six days each) for Engineering Collage students under CSR were launched during 2011-12 and 570 students were trained during Summer and winter vacations.

Under ITEC -SCAAP program, sponsored by MEA, Govt. Of India, CETTM has successfully completed twelve courses in Telecom, IT & Management streams. A total of 207 Foreign participants from over 45 countries were trained.

Apart from the above, CETTM has successfully trained 6076 in-house personnel with an achievement of 38902 Trainee Days.

CETTM has also upgraded ISO certification from 'ISO 9001-2000 'to **'ISO 9001-2008.'**

The efforts and the results, reiterate our commitment to the growth in terms of Business, Quality and Customer Satisfaction; and the Customers have always rewarded our good work by giving us the repeated business.

INDUSTRIAL RELATIONS

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

A further step towards Workers Participation in critical issues concerning business endeavors, a meeting was convened to share the views of recognized Unions on the various aspects of our business endeavors to obtain opinion from them in further improving the same.

EMPLOYEES' WELFARE

Employees Welfare Schemes like subsidized Canteen, Creches, Housing, Medical facilities, Scholarship 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 Govt 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 endeavoured to fulfill all the statutory requirements with regard to implementation of reservation policy for candidate 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

For MTNL , no specific allotment is made under CSR head considering the financial results of the company for the year as per the Guidelines issued by the Department of Public Enterprises F. No. 15(3)/2007-DPE (GM) dt 9th April, 2010.

Some of the activities which have been carried out in MTNL keeping the CSR initiative in mind are:-

- Concession/Rebate to senior citizens, handicapped persons, freedom fighters, Gallantry Award winners, war widows/disabled persons in Plan 250 of MTNL landline subscribers.
- Concession to non residential telephone in Schools/Universities/Institutions/Homes for aged/orphanages recognized by the government.
- For social cause, around SMS blasts on Polio, Income Tax Returns, issues related to Human Commission Right, etc. are being carried out.
- Supports education of two orphan children from Udyan Care.
- Organising MTNL's Perfect Health Mela to access free health check-ups.
- Advertisement released in the souvenirs of NGO's, etc are working for physically & mentally challanged persons, women empowerment, etc.
- Sponsorship of fund raiser event of People for Animals.

MANPOWER STATUS

As on 31st March 2012 your Company had a strength of employees as per details given below:-

MTNL Employees working strength as on 31.3.2012.

Group	Working	SC	ST
A	1099	147	51
B	4839	589	86
C	24604	3371	463
D	11047	2542	846
Total	41589	6649	1446
DRM	22	-	-
Grand Total	**41611**	**6649**	**1446**

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 year 2011-12, emphasis was laid on preventive vigilance for enhancing the awareness of transparency and accountability in working by carrying out various field inspections. System improvement advice were issued by Vigilance Unit for reconciliation of Sanchaar Hatts products, store verification, recording of pre-bid conference minutes, optimum electrical load in various buildings, proper maintenance of broadband faults, BTS sites etc.

Further, training programmes/seminars on vigilance and disciplinary proceedings have been conducted during the period for the employees to make the participants understand the conduct rules of MTNL and procedure for handling departmental proceedings.

As per CVC instructions, the Vigilance Awareness Week was observed from 31-10-11 to 05-11-11. During this week, various activities like pledge taking, release of booklet containing "DO's and DON'T, vigilance angle, quotations on anti-corruption" for internal circulation, display of posters related to honesty and integrity were carried out. Further, a conference of senior officers of MTNL on "Vigilance/disciplinary matters and its role in MTNL" was conducted in Delhi which was addressed by Director (HR) and CVO, MTNL.

Monthly vigilance/disciplinary meetings were held regularly at Delhi & Mumbai with concerned GM (Vigilance) team to review the status of the cases and expedite the same. The review meetings were also held by CVO with ED, Delhi on 19.05.11 and 15.12.11, with ED (Mumbai) on 14.07.11 and with ED (Wireless Services) on 10.06.11. During these meetings, CVO emphasized for further improvement in customer services offered by MTNL by taking prompt action on customer's complaint and having customer-centric approach at all levels to enhance the credibility and brand image of the company in the minds of the customers.

INTEGRITY PACT PROGRAME WITH TRANSPARENCY INTERNATIONAL INDIAMTNL has a Memorandum of Understanding (MOU) with Transparency International India (TII) for implementing an Integrity Pact Programme focussed 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 ful support of CVC.

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 & EXPENDITURE

Information with regard to foreign exchange earnings and outgo in the Financial Year 2011-12 are as follows:-

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

(₹ In Million)

Earned :	57.90
Expenditure in Foreign Currency	36.31

CORPORATE GOVERNANCE

Your company follows the principle 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 (DPE), Government of India for Central Public Sector Enterprises (PCSEs). A Report on Corporate Governance has been appended under separate section titled ' Corporate Governance Report ' and the same forms a part of the Annual Report.

COMPLIANCE OF DPE GUIDELINES & POLICIES

The Guidelines & policies issued by the Department of Public Enterprises (DPE) from time to time are being complied with and implemented with the approval of the Board of Directors/ Competent Authority.

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 is attached to this report.

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

Your company will send Annual Report for the year 2011-12 by email to all the shareholders who are having valid email id account. Further your company request shareholders holding shares in electronic mode 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).

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 A.K. Garg has been appointed as Chairman & Managing Director (CMD) of your company vide DoTs letter dated 05/12/2011 and took over the charges of CMD from Shri Kuldeep Singh, who was additional having charges of CMD w.e.f. 15/01/2010. Smt. Anita Soni and Shri S.P.Pachauri continued to be the Director (Tech), Director (Fin) and Director (HR), respectively. Dr. Rajan Saxena, Shri T.S.Narayanasami and Dr. Vijay Aggarwal continued to be the Independent Directors of the Company. Shri Malay Shrivastava continues to be the Government Director.

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

1) Shri A.K. Garg has been appointed as CMD of the company w.e.f. 05/12/2011

2) Shri K.S.Bariar has been appointed director of the company w.e.f.17/05/2012 in place of Ms. Nirmala Pillai.

3) Shri Sushil Kumar Shingal has been appointed as Independent Director on the Board of the Company w.e.f. 10/05/2012.

4) Shri Adit Jain and Shri V.S.Iyer ceased to be Independent Director on the Board of the Company w.e.f. 30/07/2012.

AUDITORS

(1) M/s. Bansal Sinha & Co., Chartered Accountants and M/s Arun K. Aggarwal & Associate, 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.

(2) M/s R.M.Bansal,Cost Accountant has been appointed as Cost Auditor of your company for carrying out audit under section 233B(1) for the records maintained under section 209(1)(d) of Companies Act,1956 and as notified under Coat Accounting Records (Telecommuncations) Rules,2002 and also under Cost Audit Rules,2001.

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/-
(A.K. Garg)
CHAIRMAN AND MANAGING DIRECTOR

PLACE : NEW DELHI
DATE : 14 AUGUST, 2012

MTNL

CORPORATE GOVERNANCE REPORT

A detailed report on Corporate Governance for the Financial Year 2011-12 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 four Executive and six Non-Executive Directors. Four 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 funtions 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, Investor's and Shareholder's 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.A.K. Garg	Chairman and Managing Director	MSITS - Chairman & Director MTL - Chairman & Director UTL - Chairman & Director MTML - Chairman & Director	
Sh. Kuldip Singh	Director (Technical)	MTML - Director MSITS - Director MTL - Director UTL - Alternate Director	

Smt. Anita Soni	Director (Finance)	MSITS - Director MTML - Director MTL - Director	Permanent Invitee - Audit Committee & Remuneration Commiittee of MTNL, Member - HR Committee of MTNL, Chairperson - Finance Committee
Sh. Satya Prakash Pachauri	Director (HR)	MTL - Director	Chairman - HR Committee Member - Remuneration Committee
Dr. Vijay Aggarwal	Independent Director		Member- HR Committee, Remuneration Committee and Investor Grievances Committee, of MTNL.
Shri T.S. Narayanasami	Independent Director	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,	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	Independent Director	Director- Anuvi Chemicals Ltd. Future Generali India Insurance Company Limited, Future Generali Life Insurance Company Limited Director- BSE Institute	Member- HR Committee, Business Development Committee & Remuneration Committee of MTNL. Vice Chancellor- Sukm's Narsee Monjee Institute of Management studies (NMIMS) Chairman & Board of Governors - Sanghvi Intt.

			of Mgmt. & Sciences, Indore. Trustee - National Pension System Trust (NPS Trust), Pension Fund Regulatory & Development Authority (PFRDA).
Shri Malay Shrivastava	Government Director	Director- Bharat Broadband Network Ltd	
Shri Sushil Kumar Shingal	Independent Director		
Shri Kumar Sanjay Bariar	Government Director		

2.1 ATTENDANCE OF DIRECTORS AT THE BOARD MEETINGS 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 2011-12, a total of 9 meetings were held from 01/04/2011 to 31/03/2012 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 29th September, 2011	Remarks
Shri. A.K. Garg	2/2	100 %	No	Assumed office on 05.12.2011
Shri. Kuldip Singh	9/9	100 %	Yes	
Smt. Anita Soni	8/9	88.89 %	Yes	
Shri. Satya Prakash Pachauri	9/9	100 %	Yes	
Shri. Malay Shrivastava	2/6	33.33 %	No	Assumed office on 12.08.2010
Shri N.K.Joshi	3/3	100%	No	Ceased Office w.e.f 10.08.2011
Smt. Nirmala Pillai	5/6	44.44 %	Yes	Assumed office on 10.08.2011
Shri. Adit Jain	4/9	55.56 %	No	Ceased Office w.e.f 30.07.2012
Shri. V.S. Iyer	9/9	100 %	Yes	Ceased Office w.e.f 30.07.2012
Shri. Vijay Aggarwal	8/9	88.89 %	Yes	
Shri T.S. Narayanasami	7/9	77.78 %	No	
Dr. Rajan Saxena	4/9	44.44 %	No	

DETAILS OF BOARD MEETINGS HELD DURING FINANCIAL YEAR 2011-12 (01/04/2011 to 31/03/2012)

No. of directors present are as under:-

Sl. No.	Meeting No.	Date	Place	No. of Directors present
1	271	06.05.2011 & 12.05.2011	New Delhi	7/9
2	272	30.06.2011	New Delhi	8/9
3	273	27.07.2011	New Delhi	8/9
4	274	10.08.2011	New Delhi	8/10
5	275	30.08.2011	New Delhi	9/10
6	276	29.09.2011	New Delhi	8/10
7	277	05.11.2011	New Delhi	5/10
8	278	29.12.2011	New Delhi	10/11
9	279	10.02.2012	New Delhi	9/11

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 2011-12".

Sd/-
(A.K. Garg)
Chairman & Managing Director

PLACE: New Delhi
DATE: 14 AUGUST, 2012

13. 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 fees 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 Vijay Aggarwal — Member
3. Shri Sushil Kumar Shingal — Member
4. Smt. Anita Soni, Director (Finance) — Permanent Invitee
5. Shri. S.S.Beniwal GM (Internal Audit) Co — Permanent Invitee
6. Shri. S.R. Sayal, Company Secretary — Secretary

3.1 Meetings and Attendance of Audit Committee:

The Audit Committee held 8 meetings during the Financial Year 2011-12.

The attendance of the Director (members) of the Audit Committee from 01/04/2011 to 31/03/2012 is given as under:-

S. No.	Name of Directors	No. of meetings	Attended
1.	Shri T.S. Narayanasami, Chairman	6	7
2.	Shri V. S. Iyer	8	8
3.	Shri Adit Jain	4	8
4.	Smt Nirmala Pillai	3	4
5.	Shri N.K. Joshi	2	3
6.	Smt. Anita Soni, Director (Finance) Permanent Invitee	7	8

Smt Nirmala PillaI, Independent Director has been nominated as Member of Audit Committee w.e.f. 10/08/2011 and has ceased to be member w.e.f. 17/05/2012..Shri N.K.Joshi ceased to be member of Audit Committee w.e.f 10/08/2011. Shri Vijay Aggarwal and Shri Sushil Kumar Shingal has been nominated as Member of Audit Committee w.e.f. 30/07/2012.

4. REMUNERATION COMMITTEE:

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

1) Dr. Vijay Aggarwal - Member

2) Shri S.P.Pachauri, Dir (HR) - Permanent Invitee

3) Smt. Anita Soni, Dir (Fin.) - Permanent Invitee

4) Shri S.R.Sayal -Secretary

No meeting of the Remuneration Committee was held during the Financial Year 2011-2012.

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.	Dr. Vijay Aggarwal	Director	Chairman
2.	Shri Sushil Kumar Shingal	Director	Member
3.	Smt. Anita Soni	Director (Finance)	Permanent Invittee
4.	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 DURING THE FINANCIAL YEAR 2011-2012 ARE GIVEN HERE UNDER:-

No. of Share holders' complaints Received during the Financial year 2011-12	No. of Shareholders complaints Solved during the Financial year 2011-12	No. of Shareholders complaints pending as on 31.03.2012
11	11	Nil

8. COMPANY SECRETARY & COMPLIANCE OFFICER

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

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

LOCATION AND TIME FOR LAST THREE ANNUAL GENERAL MEETINGS WERE:

Nature of meeting	Date and Time	Venue
25th Annual General Meeting	29th September, 2011 11.30A.M.	NDMC Indoor Stadium, Talkatora Garden, New Delhi - 110 001
24th Annual General Meeting	13th October, 2010 11.30 A.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

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). The 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.

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 & quarterly 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 - 28th September 2012, 11.30 A.M.

ii. Venue - Conference Hall, Mahanagar Doorsanchar Sadan, 9 CGO Complex, Lodhi Road, New Delhi-110003

iii. Financial year - 1st April 2011 to 31st March 2012

iv. Financial Calendar -

Board meeting for considering Audited Annual Accounts for the year ended on 31.3.2012	30th June, 2012
Submission of Audited Accounts to C&AG of India	2nd July, 2012
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30th June 2012	2nd week of August, 2012
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 30th September 2012	2nd week of November, 2012
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31st December 2012	2nd week of February, 2013
Board Meeting for Unaudited Quarterly Financial Results for the quarter ended on 31st March 2013	2nd week of May, 2013

v. Dates of Book Closure	-	21st September 2012 to 27th September 2012
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 2012-13 has been paid to all stock exchanges.

Demat ISIN Numbers in NSDL & CDSL	-	INE 153A01019 The Annual Custodian Fees for the year 2012-13 has been paid to the depositories i.e. NSDL and CDSL.
viii) Market Price Data :		Information relating to high, low, close price during each month in last financial year at BSE and NSE is given here under:-

The Opening Price on BSE as on 01/04/2011 is ₹46.00 and NSE as on 01/04/2011 is ₹46.00

The Closing Price on BSE as on 31/03/2012 is ₹27.35 and NSE as on 31/03/2012 is ₹27.40

Bombay Stock Exchange (BSE)

Month	High Price ₹	Low Price ₹	Close Price ₹
April 2011	53.00	46.00	48.30
May 2011	49.45	42.80	45.40
June 2011	46.50	40.80	43.05
July 2011	48.80	43.00	47.15
August 2011	47.95	33.00	35.35
September 2011	38.10	31.45	31.50
October 2011	32.20	29.15	31.40
November 2011	31.95	24.10	26.40
December 2011	28.20	22.50	22.70
January 2012	31.50	22.70	30.75
February 2012	35.70	28.30	32.25
March 2012	34.90	26.40	27.35

National Stock Exchange (NSE)

Month	High Price ₹	Low Price ₹	Close Price ₹
April 2011	55.00	45.60	48.35
May 2011	49.90	42.55	45.40
June 2011	46.90	40.50	42.95
July 2011	48.95	42.95	47.25
August 2011	48.00	32.80	35.40
September 2011	38.10	31.15	31.60
October 2011	32.20	29.10	31.35
November 2011	31.60	24.10	26.60
December 2011	28.15	22.35	22.80
January 2012	31.50	22.70	30.80
February 2012	35.65	28.25	32.15
March 2012	34.90	26.25	27.40

(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 completein 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, 2012.

S.No.	Category of Shareholder	Total number of Shares	Total Shareholding as a % of Total number of Shares
1.	President of India	354378740	56.25
2.	Mutual Funds	253485	0.04
3.	Financial Institutions/Banks	132290554	21.00
4.	Foreign Institutional Investors	18187389	2.89
5.	Bodies Corporates	26040615	4.13
6.	Individuals	58416745	9.27
7.	Trusts	140715	0.02
8.	NRI	1658567	0.26
9.	Foreign Corporate Bodies	4627429	0.73
10.	Clearing Members	3248667	0.52
11.	HUF	2973634	0.47
12.	Shares held by Custodians and against which Depository Receipts have been issued	27779960	4.41
13.	Any other	3500	0.01
	GRAND TOTAL	**630000000**	**100**

(b) Distribution of Shareholding as on 31st March, 2012.

Share Holding of Nominal Value of ₹	No. of Share holders	% to Total	No. of Shares	Amount in ₹	% to Total
UPTO 5000	137476	88.08	18069213	180692130	2.8681
5001 TO 10000	9652	6.18	7955139	79551390	1.2627
10001 TO 20000	4456	2.85	6882753	68827530	1.0925
20001 TO 30000	1507	0.97	3902267	39022670	0.6194
30001 TO 40000	712	0.46	2574469	25744690	0.4086
40001 TO 50000	570	0.37	2722460	27224600	0.4321
50001 TO 100000	858	0.55	6343979	63439790	1.0070
100001 and above	856	0.55	581549720	5815497200	92.3095
TOTAL	156087	100.00	630000000	6300000000	100.000

Note: - Nominal Value of Each Share/Unit is ₹10

(xii) Dematerialization of shares and liquidity

As on 31st March 2012, 99.99% 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:
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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) Shri A.K.Garg

Shri A.K.Garg has taken over as CMD, MTNL on 5th December, 2011. He obtained his B.E. Degree in Electronics & Communications from University of Roorkee in 1975. He completed Master in Communications systems also from University of Roorkee in the year 1977 and joined Department of Telecommunications, Government of India through Indian Telecommunications Services Group 'A' Service in December 1977. Prior to his present assignment Shri Garg was Director (HR), BSNL. He has vast experience of 34 years in the DOT/BSNL. During his tenure, he has worked in various capacities as General Manager, Chief General Manager and Director, BSNL Board, possesses wide experience in human resources, creation / promotion of new services, lines and new streams for DOT / BSNL with strategic expertise in the field formation as well in Circle/Corporate office. He has demonstrated strong capabilities in leading small and large functional teams to study and achieve specific business goals. In his assignment of Director (HR) in BSNL Board his varied and time tested experience had given a new dimension of leading human aspects/ aspirations of a workforce of nearly 2,76,000 employees. As business head for Material Management in BSNL HQ, he affected fundamental changes in procurement manual and gave the required dimensions for improving the enforcement of agreement conditions of various contract. As Chief General Manager, CTD, at Kolkata and CGM Kolkata Telephones, he led a large change management process encompassioning installation, QOS improvement, HR, Marketing and Finance, in addition to being instrumental in optimizing the GSM network.

(2) Shri Sushil Kumar Shingal

Shri Sushil Kumar Shingal is having Master of Arts (History) degree from Meerut University. He had joined Customs and Central Excise Servicein 1970. He has retired from the service on 31st March, 2008 as Chairman, Central Board of Excise and Customs, New Delhi.

(3) Shri K.S.Bariar - Director (Government Nominee)

Mr Kumar Sanjay Bariar joined MTNL as a Government Director on the Board of Directors of MTNL with effect from 17.5.2012. He is Deputy Director General (Licensing Finance) in the Department of Telecom, Ministry of Communication & IT, Government of India, since January, 2012. He joined the Indian P&T Accounts and Finance Service through the Indian Civil Service Examination conducted by the Union Public Service Commission in 1993.

Mr Bariar is a post-graduate in Science with a Master's degree in Business Administration (Finance) & Bachelor's degree in Law (LLB). He has over 18 years of work experience in almost all areas of Financial Management of Telecom at senior decision making levels in the Department of Telecom. He has also served as Joint Secretary in the Union Public Service Commission and as Chief Vigilance Officer in the National Consumer's Cooperative Federation under the Ministry of Food, Public Distribution & Consumer Affairs. Mr. Bariar's career profile also includes holding of various portfolios dealing with Strategic Business Planning, Telecom Revenue, Finance Coordination, Staff & Establishment, Budget & Accounts, Financial policy & Advice, Licensing of Telecom Services and related issues, Conduct of competitive examinations for recruitment in the Government of India & Promotions/Selection (at UPSC), Vigilance etc.

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 2012 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

for V.K.SHARMA & CO.
Company Secretaries
sd/-
(**V.K. Sharma**)
FCS: 3440

Place: New Delhi

Date: 16 July, 2012

MTNL

MANAGEMENT DISCUSSIONS & ANALYSIS REPORT FOR THE FINANCIAL YEAR 2012-13

MTNL was incorporated as Public Sector Undertaking in the year 1986 with an Authorized share capital of ₹ 800 crore to serve the cities of Delhi and Mumbai cities in India. Its objective is to provide world class telecommunication services to its customers at affordable tariffs. MTNL got Navratana Status in 1997. It is listed in NSE, BSE, leading Stock Exchanges in India and in NYSE (New York Stock Exchange) since 2001.

Following major risks are faced by MTNL in the current competitive telecom scenario:-

1. Market Risk
2. Policy and Regulatory Risk
3. Technology Risk/Quality of service
4. Overstaffing Risk
5. Underutilization of Assets Risk
6. Repayment of Loan Risk/Interest Burden
7. Non utilization of BWA Spectrum
8. Pressures on Margin/Reduction in tariff Risk
9. Recovery of Outstanding Dues Risk
10. Compliance Risk
11. Other Risk

1. MARKET RISKS

1.1 The Indian government is rapidly liberalizing the telecommunications industry in India. Many private operators are currently competing with us in the market for both basic and cellular services. All these operators already have significant telecommunications infrastructure in Delhi and Mumbai. We are vulnerable to losing market share if private operators aggressively target our high paying subscribers. Some of such customers like hotels etc. have already migrated to other basic service operators.

1.2 We are facing growing competition in the market for Cellular and Broadband services. Private operators enjoy significant presence in these markets with Pan India presence, have longer experience operating a cellular network than we do as MTNL was able to enter the GSM market five years after the private operators.

1.3 Increasing competition is keeping downward pressure on tariffs and we may have to increase our capital investment to improve and expand our services. These developments may have a negative impact on our financials in short term. MTNL is confined only to the cities of Delhi and Mumbai which are having more than 100% tele-density and are among the most competitive markets and MTNL is not able to expand its telecom services beyond its area of jurisdiction. Further, Delhi and Mumbai are already having a very high tele-density and further growth potential is very limited. MTNL is also not able to provide Pan India plan to its subscriber due to above restriction. The above factors have led to an increased pressure on margins and also on customer retention and acquisition. Such competitive pressures are likely to increase in future putting a further strain on the margins.

1.4 In order to face market risks, MTNL is diversifying into new services and has been pushing Cellular services very effectively. MTNL has facilitated all its 2G customers to access 3G services without any extra charges. Broadband services are being offered at very attractive rates. Value Added Services (VAS) are being added for positioning MTNL as an attractive option to customers. MTNL is also providing IPTV, VOIP, ISDN, various combo packages at attractive prices to increase revenue and popularity of various products of MTNL and various other services to increase revenue.

1.5 MTNL is also expanding its services overseas and providing services in Nepal and Mauritius.

2. POLICY AND REGULATORY RISKS

2.1 The telecommunication sector in India is one of the most competitive sectors. 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 has granted spectrum for 3G services and BWA Services at very high rates as one time fees. In comparison to these fees, the potential revenue is likely to be low because of low tariffs due to cut throat competition. Regulatory policies cannot be foretold and may at times, be such as to affect the financials of the company.

2.2 Earlier, only a limited number of operators could provide telecom services in a particular circle. Now, this restriction has been removed and unlimited operators have been allowed in the market. This has lead to more competition in the market leading to still lower tariffs.

2.3 MTNL is confined to Delhi and Mumbai and is not able to operate in Tier-II and Tier-III cities where maximum growth is taking place. This restriction on service area also impacts MTNL in another way. While it's competitors having Pan India presence can offer discount on calls to their network elsewhere in the country, MTNL cannot offer similar discounts being restricted to Delhi and Mumbai service areas.

2.4 MTNL strongly represents its point of view to the policy makers and Regulator with respect to areas which impact MTNL's interest. MTNL has asked the DoT to refund the entire amount of 3G and BWA spectrum charges.

2.5 MTNL has paid ₹4533 crore for BWA spectrum in July, 2010. MTNL has explained to the Govt. that the BWA Spectrum given to MTNL in 2.5-2.6 GHz band as against 2.3-2.4 GHz band given to other operators has propagation characteristic which are less favorable. However, the amount paid by MTNL is the same as paid by the other operators. Hence MTNL should not be made to pay for the BWA spectrum in it's possession till now. Rather, the BWA spectrum may revert back to the Govt. and the full price paid for it may be reimbursed to MTNL along with the interest paid by MTNL on it.

2.6 Mobile Number Portability (MNP) has also been introduced in Indian Telecom Sector making this sector even more competitive. Now, the customers have choice to migrate to other operators without changing his/ her mobile number.

2.7 MTNL's licenses to provide Basic Service and as an ISP are to come up for renewal in 2013-14 and GSM licenses in 2017-18. The costs associated with renewal and refarming of spectrum from 900 MHz band to 1800 MHz band may be substantial.

3. TECHNOLOGY RISK/QUALITY OF SERVICE

3.1 Telecom is certainly the most happening sector today. In the telecom sector which is driven by very stiff competition, fast changing technologies and falling prices of the telecom equipments, it is becoming increasingly difficult to predict / forecast the future. The investment today in a particular technology becomes outdated tomorrow with an introduction of more promising technology / services / Quality of services. To survive in the market, every operator has to move with the market forces and to adopt advance technologies/services.

3.2 As far as MTNL is concerned, we have always been pioneer in introducing latest technologies in the telecom field. As a company, MTNL has rapidly modernized its network by incorporating state-of-the-art technologies and adopting customer friendly approach. With the developments in the Telecom Sector MTNL has transformed itself from telecom voice service provider to a total telecom solution provider. While deploying any new technology, it is always ensured that the technology is well proven in telecom field. Whenever a new technological development has taken place, MTNL have always evaluated the situation / market condition and reacted accordingly. Some of the examples are as follows:

a) When CDMA IS was becoming obsolete, with introduction of CDMA 2000 1X system, MTNL rolled out 2000 1X network with advanced features. At the same time the old IS95 network continued serving the fixed wireless subscribers.

b) SDH technology is becoming obsolete day by day. At present our access & aggregation network is primarily on SDH technology. MTNL is now planning to migrate to new technology i.e. Carrier Ethernet based solution in the access network and IP-MPLS at aggregation level. In order to protect our investment on SDH equipments, the migration will be on phased manner.

c) Initially MTNL rolled out 2G voice services in Delhi & Mumbai. With advancement, MTNL upgraded its network to support GPRS/ EDGE (2.5/ 2.75G). Further, MTNL has deployed 3G network in Delhi and Mumbai to keep with market requirements.

3.3 MTNL is constantly upgrading its technology to keep it state-of-the-art. Moreover, timely procurement and deployment can reduce the technological risk. Attempts are being made to improve the quality of service by deploying latest technology and by making investment in towers and equipment.

4. OVERSTAFFING RISKS AND STAFF COST

4.1.1 MTNL has huge Legacy staff strength inherited from DoT. Presently MTNL has around 42254 working employees as compared to 62000 in the year 1997-98. There has been some reduction in staff because of three VRS and natural attrition. However, MTNL is still suffering from extreme overstaffing and the start cost absorbs a very high percentage of the revenue. Overstaffing is a major risk which the company faces as it has little flexibility to address this problem.

4.1.2 Efforts have been made to reduce the staff by offering VRS. Natural attrition because of retirements is also leading to reduction in staff. Overstaffing can be avoided only through a mix of VRS, diversification and sending the staff to other organizations on deputation. A proposal seeking DoT's help to fund the proposed Voluntary Retirement Scheme has been submitted.

4.1.3 Pension payment to retired absorbed staff who opted for pension for their combined service in the Govt. and later, in MTNL after absorption, is being made by MTNL as an interim measure till the final settlement of the pension issue. This is casting a heavy burden on MTNL for actual payout as well as provisions for retirement benefits. The matter is under consideration of the Govt. for finalization of the modalities.

5. UNDERUTILIZATION OF ASSESTS RISKS

5.1.1 MTNL has plenty of landline capacity but its full utilization is difficult as the demand for landlines is decreasing constantly with the expansion of mobile networks. MTNL is working on the revenue sharing model which will help in utilizing the idle capacity.

5.1.2 MTNL is also making considered efforts to maximize revenue by gainful utilization of its assets through sharing of the MTNL's infrastructures like towers, core capacity etc. Further, some more steps are being implemented for increasing revenues:

- Strengthening of franchisee managers and retail managers
- Creation of Teams at CO & office of ED, Delhi /Mumbai /WS
- Revising sales /O&M process
- Monetizing land/building assets
- Creating ATM & renting of spare space
- Creating Data Centers
- Exploitation of CDMA spectrum
- Monitoring of QOS

6. NON UTILIZATION OF BWA SPECTRUM

6.1.1 MTNL has paid ₹4533 crore for BWA spectrum in July, 2010. Since the technology is still to reach maturity for utilizing BWA spectrum, MTNL adopted the route of enabling utilization of BWA spectrum through appointment of franchisees who would bring in capital investments, with the spectrum being contributed by MTNL. EOI's were floated by MTNL for the purpose of appointment of franchisees in August, 2009 and again in November, 2011, but there has been no satisfactory response from bidders. In fact no bidder responded against second EOI and it has become necessary to find ways to come out of this situation. It is clear that the commercialization of technology to exploit BWA spectrum is not available with the vendors at a sufficiently viable level to cover the costs involved in procurement of BWA spectrum. Hence, though MTNL has paid a very heavy price for BWA spectrum which it did not itself quote in this auction, MTNL is not yet able to get any returns from this investment. Moreover, private operators also have not yet started to roll out the BWA service in any significant manner. Hence, the investment made on procurement of BWA spectrum is still to yield returns.

6.1.2 MTNL has explained to the Govt. that the BWA Spectrum given to MTNL in 2.5-2.6 GHz band as against 2.3-2.4 GHz band given to other operators has propagation characteristic which are less favorable. However, the amount paid by MTNL is the same as paid by the other operators. Hence MTNL may not be made to pay for the BWA spectrum in it's possession till now. MTNL is also planning to revert back the BWA spectrum seeking reimbursement of the full price paid for it along with the interest paid by MTNL on the loans raised to pay the auction price.

7. REPAYMENT OF LOAN / INTEREST BURDEN

7.1.1 MTNL has paid an amount of ₹11,097 Crore to acquire 3G and BWA spectrum. Short term loans amounting to about ₹7000 crore were taken from banks while the remaining amount was paid by MTNL from its own resources. Loans of ₹533 crore have been repaid. The short term loans of ₹7000 crore have now been converted into long term debt. The interest burden of this debt is a very heavy burden, efforts are being made to substitute lower cost funds for this debt, even though lending Banks may attempt to hold MTNL to this debt under duress. However, the need to reduce the interest burden is imperative and action has to be taken to reduce the interest burden particularly now that it is proving difficult to get adequate return from the spectrum.

7.1.2 MTNL is making efforts to get an interest free grant of ₹10,500 crore from the Gvot. to cover the borrowings and the interest paid on it. This shall enable MTNL to utilize it's resources for capital and operational expenses to generate more revenue rather than divert resources to service debt.

7.1.3 Alternatively MTNL has sought sovereign guarantee from the Govt. to float Long Term Tax Free Bonds of long term duration with bullet repayment of principal and interest to start after the initial moratorium period. This will enable the servicing of debt to be realigned with future revenue earnings.

8 PRESSURE ON THE MARGIN/REDUCTION IN TARRIF

8.1.1 MTNL faces intense competition from the other operators. This has led to an increased pressure on margins due to reducing tariffs. The Average Revenue Per User (ARPU) has gone down considerably. Competition in the telecom sector is likely to increase in future putting further strain on the margins.

8.1.2 During the last 4-5 years, ARPU has gone down drastically because of the entry of the new operators thereby intensifying competition. ARPU is likely to decrease even further in the coming years. As such, revenue can be increased only by increasing the subscriber base. Provision of Value Added Services, 3G mobile and wireless broadband will also lead to increase in revenue. The other option is the revenue sharing model through which subscriber base can be increased with the help of the franchises. Attempts are also being made to generate revenue by sharing the towers, creating ATM & renting of spare space, creating Data Centers, exploitation of CDMA spectrum, monetizing land/building assets etc.

8.1.3 Attempts are also being made to reduce expenditure. Power and fuel costs are sought to be reduced through energy audit. Office expenses are being reduced by the merger of areas of operation, vacating rented buildings. Staff expenses are being reduced by optimizing medical and other variable staff costs. Advances / Loans to the staff like HBA, Auto /Computer Loan, Festival Advance, LTC etc. have been put on hold.

9 OUTSTANDING DUES

9.1.1. The cumulative outstanding amount against landlines is quite large. As a percentage of total cumulatively bill revenue, this amount is less than 2% but the absolute figure is high. In a competitive environment, recovery of outstanding is even more difficult as even the risk of disconnection for non-payment does not work in the competitive environment as after losing MTNL's connections, the subscribers can always opt for other operators. MTNL has to make provision for bad debts as per the accounting policy and write off irrecoverable dues on regular basis as is the standard industry practice.

9.1.2. A strong drive has been launched for the realization of outstanding dues. Targets have been set for all areas and performance is closely monitored. Recovery agents have been appointed for the recovery of old outstanding. Amnesty scheme has been re-launched in Delhi unit. GSM Credit Control Module has been introduced and efforts for Revenue Assurance are in hand.

10 COMPLIANCE RISKS

10.1 MTNL is listed on the Stock Exchanges in India and in New York. It has to meet the requirement of Compliances to the various Clauses in the Listing Agreement. In NYSE, the major compliance is with respect to SOX. SOX requirement are very stringent and it is difficult to comply with such stringent requirements by a PSU which has been carved out of a Government Department. The Securities Exchange Commission (SEC) of USA exercise oversight over the filing of accounts under the US GAAP and raised various matters for clarifications as felt necessary. It was the right to impose penalties upto US$ 50 million under the applicable law. It has reduced the time available for filing the Accounts under US GAAP from end of September of the following year to end of July of the year following the year under report.

11 MANPOWER RISKS

11.1 There are about 42075 employees of the Company and major portion of revenue is spent on staff. In comparison of the staff costs of other operators, it is substantially high.Besides wage bill,these cost also include payment of Pension, Gratuity, Leave Encashment to DOT employees absorbed in MTNL. For the absorbed employees,the combined pension is being paid by MTNL. This is a major risk which the company faces, as it has little flexibility in the matter and MTNL may have to continue to carry this cost. For the absorbed employees whose pension is being paid by MTNL, DOT has to contibute 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., on same lines as for their colleagues who have been absorbed in BSNL in accordance with the letter issued by the Govt on 29th August, 2002. The matter is receiving the attention of the concerned authorities and the outcome shall have an impact on MTNL's finances.

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

11.3 Considering the tremendous growth of private sector and opportunities that have become available and availability in Telecom & IT sectors, retention of suitable manpower is also a challenge.

12 OTHER RISKS

12.1 There are various other types of risks like rising cost of operations due to various reasons including increase in power/fuel costs. Rentals for tower sites have gone up considerably. Moreover, availability of the tower sites itself is a big issue.

12.2 As far as rising cost of operations is concerned, efforts are being made to reduce administrative/operative expenditure for greater cost control and operational efficiency. For acquiring the tower sites, RWAs and the concerned authorities are being contacted. Now, MTNL is sharing towers with other operators which is an economical option as it reduces operational costs.

Annual Accounts 2011-12

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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, 2012, the Statement of Profit and Loss and the Cash Flow Statement of the Company for the year ended on that date, annexed thereto, in which, the accounts of 3 units namely Delhi unit, Mumbai unit and Mobile Service Unit (Delhi & Mumbai both) are incorporated, which have been audited by us. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the Auditing Standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) Order, 2004 (together the 'Order'), issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, and on the

basis of such checks as we considered appropriate and according to the information and explanation given to us, we give in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the company.

4. Further to our comments in the Annexure referred to in paragraph 3 above and subject to:

   a) Point No.6 (a) to Note No. 40 regarding deduction under section 80IA of the Income Tax Act claimed by the company of which 75% has already been allowed upto Tribunal level and the company has preferred an appeal for the remaining 25% with the High Court.The company is maintaining a provision for income tax amounting to ₹4003.31 millions for the years 1997-98 to 1999-2000 on this account whereas the similar claims for subsequent years involving a tax liability of ₹3948.46 Millions have been shown as Contingent Liability.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 requirement of the provision or contingency held in this regard.

   b) Point No. 6 (b) to Note No. regarding accounting of appeal effect of ₹1015.43 millions including accrued Interest of ₹412.04 millions (₹101.86 Millions for the year) as recoverable is subject to adjustment as per the final orders to be passed by the Income Tax Department. Besides, 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) Points No.11 & 14 to Note No.40 regarding the amounts recoverable from BSNL/DOT 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.

   d) Point No. 1(k) of Note 40 regarding disclosure of contingent liability of ₹1403.63 Million instead of actual provision on account of License Fee to the DOT which 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.

   e) The company has allocated the establishment overheads as per Note 25 and Administrative overheads as per Note 28.The company's policy in this regard needs to be made more scientific and the same should avoid capitalizing the loss due to idle time of labour and machines.

   f) Point No.32 of Note No. 40 regarding no impairment adjustment required to the carrying value of the fixed assets as at 31 March 2012. In our view, due to recurring losses incurred by the Company and uncertainty in the achievement of projections made by the Company, we are unable to comment on the provisions, if any, required in respect of impairment of carrying value of the fixed assets (including capital work in progress), other than land, and its consequential impact, if any, on the loss for the year, accumulated balance in the Profit and Loss Account and the carrying value of the fixed assets as at 31 March 2012.

g) Point No.27 (ii) of Note No.40 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.

h) Point No. 28 of Note No. 40 regarding Non provision of actuarial liability on account of medical expenses for retired employees and continuing employees as the Insurance policy has been taken by the company and yearly premium is only charged.

i) Insurance claim for the fire loss in Data Center in July, 2009 amounting to ₹ 40 Millions has been considered as good despite of the same being still pending with the Insurance Company.

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

k) Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts and non provision of disputed cases which are outstanding for less than three years in Basic and less than six months in wireless services.

l) Point No. 22 of Note No. 40 regarding non valuation of vacant land and Guest Houses/ Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions.

m) Point No.18 of Note No.40 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.

n) Point No.14(b) regarding balance in subscriber's deposits account of ₹ 6588.81 Million, unlinked receipts from subscribers ₹.412.60 Million are subject to reconciliation. Balance of sundry debtors as per Ageing Summary is short by ₹ 94.70 Million with comparison to balance is general ledger though the same has been fully provided for (Refer Note No. 14(c)). The reconciliation of metered and billed calls in various units and leased, operational and billed circuits is in process. 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.

o) The matching of Billings for roaming receivables/payable with the actual traffic intimated by the MACH is not being made and the amounts received are allocated on estimated basis. The impact thereof, on profitability ,if any, is unascertainable.

p) 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.

q) Point No.23 of Note No. 40 regarding provision for ADCC recoverable from Project Development Company amounting to ₹ 91.25 Million and non accounting of interest thereon in absence of explicit agreement to that effect.

r) Point No. 34 of Note No. 40 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.

s) The Company had accounted for ₹ 2850.00 millions towards wet lease for infrastructure and other services provided in respect of Commonwealth Games during the year 2010-11 of which ₹.430 millions is subject to acceptance and final settlement.

t) The reconciliation of Income from Recharge Coupons, ITC Cards, Prepaid calling cards and stock of recharge coupons and leased circuits is not available for our verification.

u) No service tax is being charged on the revenue sharing with BSNL for inward circuits for which no bills are being raised.

v) The material sent to BSNL on barter basis, the VAT liability on this account has not been ascertained and provided for.

w) Point No 26 of Note No 40 regarding the requisite information & details for the identification of Micro, Small & Medium enterprises as such we are unable to comment upon the compliance of section 15 & 22 of the Micro Small & Medium Enterprises Development Act-2006.

x) 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 imported and indigenous stores and spares and Percentage to the total consumption.

ii) The classification of Trade Receivable as unsecured without considering the security deposit that the company has received from subscribers.

iii) Trade Receivable figures outstanding for more than six months and up to six months are ascertained by the management and relied upon by the auditors.

iv) The Land and Buildings transferred from DOT have been classified as Leasehold as there was no breakup is available.

v) The bifurcation of assets and liabilities into Current and Non Current has been made by the company as per their own assessment of their recoverability and likely payments. In absence of any scientific basis, we are unable to comment on the same.

vi) Classification of amount recoverable from BSNL as loan & advances instead of Trade Receivable.

vii) The reclassification of previous year figures to make it comparable with the revised schedule VI requirements have made by the management as per their assessment and relied upon by us.

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 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 ₹.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, Statement of Profit and Loss 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, Statement of Profit and Loss 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)(b) 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 -15regarding Accounting for Retirement Benefits in the Financial Statements of Employers (Refer Note No.27);AS 17 regarding Segmental Reporting; AS- 18 regarding related party transactions: AS - 19 regarding Leases: AS -28 regarding Impairment of Assets ; AS-29 on Provisions for Contingent Liabilities and Contingent Assets.-

iv) 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) Point No.13 of Note No.40 regarding over dues of ₹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.

b) Point No.16 (e) to Note No.40 regarding the issue of pension liability on account of absorbed employees is yet to be settled with the DOT which may have substantial impact on the profitability of the company which could not be ascertained by company.

c) Point No.20 of Note No 40, regarding retaining of outstanding liability of ₹736.20 Millions on account of decommissioned assets pending arbitration case.

d) Point No 17 of Note No. 40 regarding non provision of diminution in the value of investments in joint ventures as these diminutions are considered temporary in nature.

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, 2012;

b) in the case of the Statement of Profit & Loss , 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. 082928)

For Arun K. Aggarwal & Associates
Chartered Accountants
FRN – 003917N

sd/-

(Rajesh Surolia)
(Partner)
(Mem. No. 088008)

Place: New Delhi
Date: June 30, 2012

MTNL

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. It is noticed that records of the Estates Department in respect of Land and Building do not match with the records as per financial books.

   (b) As per the Accounting Policy of the company, Fixed Assets are required to be physically verified by the Management on rotation basis, once in three years. As certified by the management, the Apparatus & Plants, vehicles and land and buildings 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, at MS unit, Delhi, physical verification was conducted only for SIM cards but detailed physical verification was not made available for the verification.

(c) The Company is maintaining proper records of inventory. As per the information provide to us, discrepancies noticed on physical verification of inventory were not material and have been properly dealt with in the books of accounts. The system of recording the inventories directly to the Capital Works without routing it through Inventory Management System.

3. As explained to us, the Company has not taken nor granted any loans, secured or unsecured to/from Companies, fi rms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly clauses 4(iii) (a), (b), (c) and (d) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.

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 by corporate office. The system regarding reconciliation & confirmation of deposit to various departments, reconciliation between the exchange generated calls & billed calls, reconciliation of the balance in subscriber deposit account with subsidiary record, needs to be strengthened. The overall internal control systems on revenue billing needs to be strengthened, as the amount of service tax is not generated from the system and service tax aging is also not available and service tax balances are subject to reconciliation. 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, 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 ₹5,00,000/- or more in value in respect of each party. Based on the audit procedures applied by us and the information and explanations provided by the management, we are of the opinion that there was no transaction during the year ended 31.03.2011 that need to be entered in the register maintained under Section 301 of the Companies Act 1956.

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 .The company has maintained the required Cost Records for the year 2010-2011 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 31.03.2012, 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 and on amount of debtors collected by Delhi wireless services after July 1,2011 ,i.e.,after introduction of Point of Taxation Rules (amount not ascertainable) and Service tax on the revenue sharing with BSNL for inward circuits for which no bills are being raised. As informed to us, the provisions of Employees State Insurance Act are not applicable to the company. There has generally been no delay in depositing CPF contribution to the trust. GPF contribution, in respect of employees on deemed deputation, is generally remitted regularly to DOT cell. GPF contribution, in respect of absorbed DOT employees, has been deposited with the GPF Trust after registration of the trust with Income Tax Department.

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

Local Sales Tax and Central Sales Tax / VAT:

(i) Sales Tax

Name of the Statute	Amount (₹) L.S.T	Amount (₹) 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	1443921343434	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	265248583	0	2007-08	Addl. Comm. Sales Tax
Delhi Sales Tax Act	779575204	0	2008-09 & 2009-10	Addl. Comm. Sales Tax
TOTAL	**1145158331**	**807425298**		

The unit has already deposited ₹54733054/- out of the total disputed liability stated above..

(ii) Service Tax

Name of the	Amount (₹) Statute	Period Service Tax	Authority where pending
Service Tax Act	110300000	2007-08	CEGAT

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	Assessed Amount	52693370	1996-97	DC
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	54029094	2000-01	MSTT
BST Act	Assessed Amount	101128984	2001-02	Jt. Commr. of Sales Tax Appeals
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.
Finance Act 1994	Service Tax: S.Clause Notice	4100000	2003-04	CESTAT
Finance Act 1994	Demand received from LTU	3416176	Oct.2009 to March 2010	LTU

Finance Act 1994	Demand against adjustment of excess service tax	10719911	October 2003 to Feb.2004	CESAT
Finance Act 1994	Demand against adjustment of excess service tax	5598941	March 2004	CESAT
Finance Act 1994	Demand against adjustment of excess service tax	10050296	April 2004 to September 2004	
Total ₹		4526960332		

Statutory dues which have not been deposited in respect of Mumbai MS unit as on 31st March, 2012.

S.No	Nature of dues	Amount Under dispute not deposited (₹)	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) There were no dues on account of cess payable under section 441A of the Companies Act, 1956, since the date from which the aforesaid section comes into force has not yet been notified by the Central Government.

10. The accumulated losses of the Company exceed fifty percent of its net worth at the end of the financial year. It has incurred cash losses in the financial year and in the immediately preceding financial year.

11. As per the records of the company and according to the explanation provided by the management, we report that there is no default in repayment of dues from the loan taken from banks during the year under 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. In our opinion, the term loans have been applied for the purpose for which they were raised.

17. 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.

18. The Company has not issued any debentures. Accordingly, clause 4(xix) of the Order is not applicable.

19. The Company has not raised any money by public issues during the year. Accordingly, clause 4(xx) of the Order is not applicable.

20. According to the information and explanations given to us, no major fraud on or by the company has been noticed or reported during the year. The details with regard to status of frauds till 31.03.2012 have not been provided to us as such provision in this regard, if any, could not be ascertained.

For Bansal Sinha & Co.	**For Arun K Aggarwal & Associates**
Chartered Accountants	Chartered Accountants
FRN- 06184N	FRN – 003917N
sd/-	sd/-
(Ravinder Khullar)	**(Rajesh Surolia)**
(Partner)	(Partner)
(Mem. No. 082928)	(Mem. No. 088008)

Place: New Delhi
Date: June 30, 2012

MAHANAGAR TELEPHONE NIGAM LIMITED

BALANCE SHEET AS AT 31ST MARCH, 2011

	Note No.	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	**2**	6,300.00	6,300.00
Reserves & Surplus	**3**	19,066.97	60,164.81
NON - CURRENT LIABILITIES			
Long Term Borrowings	**4**	70,000.00	25,539.70
Other Long Term Liabilities	**5**	29,349.78	27,420.27
Long Term Provisions	**6**	82,047.80	72,332.10
CURRENT LIABILITIES			
Short Term Borrowings	**7**	26,474.93	49,017.05
Trade Payables	**8**	2,559.40	2,239.75
Other Current Liabilities	**9**	25,238.98	26,348.15
Short Term Provisions	**10**	8,033.51	5,081.31
	Total	**269,071.39**	**274,443.14**
ASSETS			
Non - Current Assets			
Fixed Assets			
(A) Tangible Assets	**11**	69,176.88	68,481.57
(B) Intangible Assets	**12**	88,424.87	94,748.73
(C) Capital Work In Progress	**13**	8,969.95	11,538.15
Non Current Investments	**14**	2,219.79	4,946.58
Long Term Loans And Advances	**15**	49,366.95	48,884.96
Other Non Current Assets	**16**	31,695.37	26,555.15
CURRENT ASSETS			
Current Investments	**17**	2,700.00	0.00
Inventories	**18**	1,005.62	1,254.81
Trade Receivables	**19**	3,288.32	3,390.57
Cash & Cash Equivalents	**20**	868.33	1,401.41
Short Term Loans & Advances	**21**	8,042.86	7,995.87
Other Current Assets	**22**	3,312.44	5,245.33
	Total	**269,071.39**	**274,443.13**
Significant Accounting Policies	**1**		

See accompanying notes to the financial statements

In terms of our report of even date

For and on behalf of Board

For Bansal Sinha & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(Naresh Kumar)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 06184N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Ravinder Khullar)	**(Rajesh Surolia)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing Director
M.No. 082928	M.No. 088008		

Place : New Delhi

Date : 30th June, 2012

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Statement of Profit & Loss for the year ended 31st March, 2012

	Note No.	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
REVENUE			
Net Revenue From Operations	**23**	33,732.53	36,739.52
Other Income	**24**	2,511.64	3,180.44
	Total Revenue	**36,244.17**	**39,919.96**
EXPENSES			
Employee Benefits	**25**	37,115.63	32,473.22
Revenue Sharing	**26**	4,539.95	4,484.09
Licence Fees	**27**	2,389.14	2,875.91
Administrative, Operative And Other Expenses	**28**	8,193.35	9,219.94
Depreciation & Amortisation	**29**	14,962.15	14,101.48
Finance Cost	**30**	9,491.62	4,514.76
	Total Expenses	**76,691.83**	**67,669.40**
Profit/(Loss) Before Exceptional & Extraordinary Items & Tax		**(40,447.66)**	**(27,749.44)**
Exceptional Items	**38**	0.00	0.00
Profit/(Loss) Before Extraordinary Items & Tax		**(40,447.66)**	**(27,749.44)**
Extraordinary Items	**39**	0.00	0.00
Profit/(Loss) Before Tax		**(40,447.66)**	**(27,749.44)**
Tax Expenses:	**31**		
Current Tax		0.00	0.00
Deferred Tax		0.00	0.00
Taxes Of Earlier Period Paid/ Written Back		0.00	285.38
Profit/(Loss) After Tax		**(40,447.66)**	**(28,034.82)**
Prior Period Items	**32**	650.18	(15.67)
Profit/(Loss) For The Period		**(41,097.84)**	**(28,019.16)**
Earnings Per Equity Share	**33**		
(1) Basic		(65.23)	(44.47)
(2) Diluted		(65.23)	(44.47)

See accompanying notes to the financial statemens

In terms of our report of even date

For and on behalf of Board

For Bansal Sinha & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(Naresh Kumar)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 06184N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Ravinder Khullar)	**(Rajesh Surolia)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing Director
M.No. 082928	M.No. 088008		

Place : New Delhi
Date : 30th June, 2012

Note 1 : 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 ₹ 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 realization 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 Wireless Services (GSM & CDMA), 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 ₹ 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 ₹.0.01 Millions in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹.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.

NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2012

~~NOTE 2~~

Share Capital

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10/- each	8,000.00	8,000.00
(Prev yr. 80,00,00,000 Equity Shares of ₹10 each)		
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each	6,300.00	6,300.00
(Prev yr. 63,00,00,000 Equity Shares of ₹10 each)		
Total	**6,300.00**	**6,300.00**

Shareholders holding more than 5% shares

Name of Shareholders	As at 31.3.2012		As at 31.3.2011	
	No. of Share held	% of Holding	No. of Share held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC of India	118515213	18.81	118515213	18.81
The Bank of New York Mellon	27779960	4.41	33284810	5.28

NOTE-3

Reserves & Surplus	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Share Premium Account		
Opening Balance	6650.05	6650.05
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	6650.05	6650.05
Surplus/ (Deficit)		
Opening Balance	(49161.33)	(23530.12)
Add: Profit during the year	0.00	0.00
Less: (Loss) during the year	(41097.84)	(28019.16)
Less: Proposed/ Final Dividend	0.00	0.00
Less: Transfer to Other Reserves	0.00	0.00
Add: Transfer from Other Reserves	189.85	2387.95
Closing Balance	(90069.32)	(49161.33)
Reserve for Contingencies		
Opening Balance	4138.30	6526.25
Addition	0.00	0.00
Deletion	(189.85)	(2387.95)
Closing Balance	3948.46	4138.30
Reserve for Research & Development		
Opening Balance	308.00	308.00
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	308.00	308.00
General Reserves		
Opening Balance	98229.79	98229.79
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	98229.79	98229.79
Total	**19066.97**	**60164.81**

NOTE - 4

LONG TERM BORROWINGS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(A) Secured **(a) Term Loans** **From Banks** (Secured by floating first pari passu charge on all fixed and curent assets) (The outstanding term loan as at 31.03.2012 carries a moratorium period of three years during which the company is contracted to pay only interest obligation. The repayment of principal is due from FY 2013-14 onwards)	70000.00	25539.70
Total	**70,000.00**	**25,539.70**

NOTE - 5

OTHER LONG TERM LIABILITIES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Payble to BSNL	15205.76	11998.81
Security Deposits from Customers	5816.35	7425.49
Trade Payables- Non Current	648.39	1345.32
Other Long Term Liabilities	7679.28	6650.64
Total	**29,349.78**	**24,420.27**

NOTE - 6

LONG TERM PROVISIONS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(a) Provisions for Employee Benefits		
Pension- Company Employees	72495.08	63236.02
Leave Encashment- Company Empolyees	6936.10	6445.58
Gratuity- For DoT Period	2609.13	2609.13
(b) Other long Term Provision	7.49	41.38
Total	**82,047.80**	**72,332.10**

NOTE - 7

SHORT TERM BORROWINGS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
A. Loans repayble on demand		
Unsecured		
(i) From Banks- Overdrafts	26474.93	19217.05
Secured		
(i) From Banks	0.00	29800.00
Total	**26474.93**	**49017.05**

NOTE - 8

TRADE PAYABLES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(i) For Goods and Services	2559.40	2239.75
Total	**2559.40**	**2239.75**

NOTE - 9

OTHER CURRENT LIABILITIES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Interest Accrued but not due		
(i) On security deposits	22.34	23.11
(ii) On borrowings	749.16	324.90
Income received in advance	1218.74	458.56
Other Payables		
Deposits from :		
(i) Contractors	377.37	303.88
(ii) Customers	772.46	888.06
Unclaimed Bonds	0.68	0.68
Other Liabilities		
(i) For Salary & other benefits	1633.05	1972.44
(ii) ExGratia/ Bonus	0.15	0.15
(iii) GPF of MTNL optee	13757.91	13432.47
(iv) Service Taxes & withholding Taxes Payables	2386.05	2354.74
(v) Advance received from customers	759.70	1177.07
(vi) Others	1220.22	1469.15
Amount Payable:		
(i) To DoT	516.44	423.72
(ii) To contractors- other than goods & services	1053.84	1478.12
(iii) To other operators for revenue sharing (Other than BSNL)	770.86	2041.11
Total	**25238.98**	**26348.15**

NOTE - 10

SHORT TERM PROVISIONS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Provision for employee benefits		
Pension contribution		
(i) Company employees	6496.38	3324.91
(ii) Others	119.05	120.53
Leave Encashment		
(i) Company employees	434.65	497.54
(ii) Others	2.90	4.98
Others		
Provision for ExGratia/ Bonus	0.00	4.54
Gratuity- Company employees	952.72	1105.18
Others	9.50	9.50
OTHERS		
Provision for Wealth tax	18.30	14.13
Provision for Dividend	0.00	0.00
Provision for Dividend Distribution Tax	0.00	0.00
Total	**8033.51**	**5081.31**

NOTE - 11 TANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation & Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2011	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2012	As At 1.4.2011	For The Year	Sales/ Adjustments During The Year	As At 31.3.2012	As.at 31.3.2012	As.at 31.3.2011
LAND:											
- FREEHOLD	190.48	-	-	-	190.48	-	-	-	-	190.48	190.48
- LEASEHOLD	3,164.57	25.54	-	-	3,190.10	393.82	31.45	(0.02)	425.29	2,764.81	2,770.75
BUILDING	13,082.47	1,065.89	20.94	2.80	14,129.71	4,145.58	494.15	(5.76)	4,645.49	9,484.22	8,937.61
LEASED PREMISES	53.52	-	-	-	53.52	10.31	1.00	-	11.31	42.21	43.21
LINES & WIRES	996.56	107.68	0.30	-	1,104.54	666.00	36.72	(1.27)	703.99	400.55	330.56
CABLES	72,157.07	1,671.33	5.20	9.48	73,824.13	51,826.14	2,272.99	(43.98)	54,143.12	19,681.01	20,330.84
APPARATUS & PLANT	85,454.94	6,547.90	1,494.78	1,240.80	89,919.49	51,969.70	5,404.61	1,819.92	55,554.39	34,365.10	33,403.17
VEHICLES	323.74	2.95	(9.15)	22.38	293.99	273.06	10.63	27.71	255.98	38.01	50.01
FURNITURE & FIXTURES	1,490.32	5.94	(2.63)	0.03	1,493.60	1,061.07	56.71	1.91	1,115.87	377.73	428.50
OFFICE MACHINERY & EQUIPMENTS	375.48	1.77	(0.46)	0.24	374.59	237.82	13.77	1.42	250.16	124.43	136.80
ELECTRICAL APPLIANCES	1,461.86	114.14	1.84	1.32	1,570.84	761.07	67.15	3.69	824.52	746.31	700.24
COMPUTERS	3,006.74	44.79	0.40	1.79	3,047.83	2,116.96	205.32	5.59	2,316.69	731.14	889.31
ASSETS SCRAPPED / DECOMMISSIONED	265.60	83.28	101.89	16.11	230.88	-	-	-	-	230.88	269.94
TOTAL	**182,023.36**	**9,671.22**	**1,613.11**	**1,294.96**	**189,423.70**	**113,461.52**	**8,594.51**	**1,809.21**	**120,246.82**	**69,176.88**	**68,481.57**
Previous Year	**171,251.32**	**14,761.08**	**500.93**	**3,241.94**	**182,099.52**	**106,647.40**	**7,740.14**	**772.45**	**113,617.95**	**68,481.57**	**-**

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.

NOTE - 12 INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation & Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2011	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2012	As At 1.4.2011	For The Year	Sales/ Adjustments During The Year	As At 31.3.2012	As.at 31.3.2012	As.at 31.3.2011
APPLICATION SOFTWARE	700.62	65.89	0.15	-	766.66	240.16	78.94	5.13	324.23	442.43	460.46
3G & BWA LICENCE FEES	110,979.70	-	-	-	110,979.70	16,691.54	6,304.65	1.08	22,997.26	87,982.44	94,288.16
TOTAL	**111,680.32**	**65.89**	**0.15**	**-**	**111,746.36**	**16,931.69**	**6,383.58**	**6.21**	**23,321.49**	**88,424.87**	**94,748.63**
Previous Year	**144,015.23**	**135.80**	**98,809.30**	**-**	**111,680.32**	**13,236.68**	**6,369.62**	**8,139.50**	**16,931.69**	**94,748.63**	**-**

NOTE - 13
CAPITAL WORK IN PROGRESS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Buildings	1703.49	1517.99
Apparatus & Plants	4205.71	6951.58
Lines & Wires	102.88	46.66
Cables	1727.26	2163.21
Subscribers Installations	180.45	324.83
Air Conditioning Plants	1050.15	533.88
Less: Provision for Abandoned Works	0.00	0.00
Total	**8,969.95**	**11,538.15**

NOTE - 14
NON CURRENT INVESTMENTS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
A. TRADE INVESTMENTS		
(i) INVESTMENTS IN EQUITY INSTRUMENTS		
Investment in Subsidiary Companies		
MillenniumTelecom Ltd. (Un Quoted 2875880 Equity shares of ₹10 each fully paid up)	28.76	28.76
Mahanagar Telephone Mauritius Ltd. (Un Quoted 572264029 Equity Shares)	1009.70	1036.49
Investment in Joint Ventures		
United Telecom Ltd. (Un Quoted 5736200 Equity Shares of Nepali ₹.100 (INR 62.50) each fully paid up)	358.51	358.51
MTNLSTPI IT Services Ltd. (Un Quoted 2282000 Equity shares @ ₹10 each)	22.82	22.82
(ii) INVESTMENT IN PREFERENCE SHARES		
Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, first instalment of ₹200000000 due in 2012-13.	800.00	1000.00
B. Other Investments		
Investment in MKVDC bonds having a coupon rate of 11.50%	0.00	2500.00
Less: Provision of dimunition in value of investments	0.00	0.00
Total	**2213.73**	**4946.58**

Particulars	**As at 31.3.2012 (₹ in Million)**	**As at 31.3.2011 (₹ in Million)**
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	2219.79	4946.58
Total	**2219.79**	**4946.58**

NOTE - 15

LONG TERM LOANS AND ADVANCES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
SECURED, CONSIDERED GOOD		
Advances to employees		
i) Housing Loan	787.84	844.68
ii) Vehicle Loan	27.00	32.77
iii) Other Loans	8.41	12.05
UNSECURED, CONSIDERED GOOD		
Capital Advance	38.68	37.85
Deposits with other Govt. Deptt. / Companies	658.35	444.96
Loans and Advances to related parties	29.54	17.19
Others		
Advance Taxes		
Income Tax	21411.64	21944.63
Less: Provision for income tax	(8844.57)	(8844.57)
	12567.07	**13100.06**
FBT	1506.78	1506.78
Less: Provision for FBT	(257.45)	(257.45)
	1249.33	**1249.33**
Cenvat	105.29	183.36
Amount recoverable from DoT	34262.80	33219.56
Total	**49734.31**	**49141.81**
Less:		
Provision for Doubtful Advances	367.37	256.85
Total	**49366.95**	**48884.96**

Loans and Advances stated above include due by:

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Directors *	0.00	0.00
Other officers of the Company *	0.00	0.00
Firm in which director is a partner *	0.00	0.00
Private Company in which director is a member *	0.00	0.00
Total	**0.00**	**0.00**

* Either severally or jointly

NOTE - 16

OTHER NON CURRENT ASSETS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Receivable from BSNL	30679.67	25596.02
Interest accrued on loans and advances	930.68	962.19
Receivable from DoT	65.45	66.46
Bank deposits (with more than 12 months maturity)*	84.02	0.00
Interest accrued on deposit	5.51	0.44
Less:		
Provision for other non current assets	69.96	69.96
Total	**31,695.37**	**26,555.15**

* includes ₹ 84.02 million under lien

NOTE - 17

CURRENT INVESTMENTS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Investment in ITI Preference shares	200.00	0.00
Investment in MKVDC bonds having a coupon rate of 11.50%	2500.00	0.00
Total	**2700.00**	**0.00**

Particulars	**As at 31.3.2012 (₹ in Million)**	**As at 31.3.2011 (₹ in Million)**
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	2700.00	0.00
Total	**2700.00**	**0.00**

NOTE - 18

INVENTORIES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Building Materials	0.00	0.46
Lines and Wires	32.00	17.99
Cables	537.23	622.74
Exchange Equipment	459.60	489.20
Telephone & Telex Instrument	127.79	212.36
WLL Instruments	161.04	160.01
Telephone & Telex Spares	1.05	1.05
Installation Test Equipment	2.71	4.07
Mobile Handset & Sim cards	23.23	23.58
Total	**1,344.66**	**1,531.45**
Less:		
Provision for obsolete stores	339.04	276.64
Total	**1,005.62**	**1,254.81**

NOTE - 19

TRADE RECEIVABLES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
SECURED/ UNSECURED*		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
CONSIDERED GOOD	1291.15	756.63
CONSIDERED DOUBTFUL	19.58	8.31
(b) OUTSTANDING FOR OVER SIX MONTHS		
CONSIDERED GOOD	1784.03	2356.78
CONSIDERED DOUBTFUL	6317.91	5845.89
Total	**9412.68**	**8967.62**
Less:		
PROVN FOR DOUBTFUL DEBTS	4929.32	4446.42
PROVN FOR WRONG BILLING	1195.04	1130.63
Total	**3288.32**	**3390.57**

* Secured to the extent of security deposits to the tune of ₹6588.81 million (PY ₹7206.33 million) which are under reconciliation.

Trade Receivable stated above include debts due by:

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Directors *	0.00	0.00
Other officers of the Company *	0.00	0.00
Firm in which director is a partner *	0.00	0.00
Private Company in which director is a member *	0.00	0.00
Total	**0.00**	0.00

* Either severally or jointly

NOTE - 20

CASH AND CASH EQUIVALENTS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Balances with banks	821.36	1144.54
Cheques/ Drafts in hand	50.42	84.72
Cash in hand	7.82	10.24
Others	0.00	0.11
Bank deposits (with more than 1 year maturity)	0.89	173.16
Total	**880.50**	**1412.78**
Less:		
Provision for doubtful bank balances	12.16	11.37
Total	**868.33**	**1,401.41**

NOTE - 21

SHORT TERM LOANS AND ADVANCES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(1) To EMPLOYEES		
Secured, Considered good		
i) Housing Loan	250.24	277.06
ii) Vehicle Loan	11.00	15.45
iii) Other Loans	7.67	11.96
Unsecured, Considered good;		
Festival, TA, LTC, Medical etc advances	610.91	808.00
(2) To OTHERS		
Unsecured, Considered good		
i) Contractors	389.15	510.08
(ii) Advance payment of Taxes		
(a) Income Tax	372.82	420.17
(b) Wealth Tax	15.93	12.22
(iii) Prepaid expenses	**246.81**	**439.97**
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - others	636.19	0.18
(b) Cenvat Credit	1071.13	991.48
(v) Unbilled Revenue	**2089.16**	**2135.46**
(vi) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	424.37	379.12
(b) Others	2176.60	2219.33
Total	**8301.96**	**8220.48**
Less:		
Provision for Doubtful Advances	259.10	224.61
Total	**8042.86**	**7995.87**

Short Term Loans & Advances stated above include due by:

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Directors *	0.00	0.00
Other officers of the Company *	0.00	0.00
Firm in which director is a partner *	0.00	0.00
Private Company in which director is a member *	0.00	0.00
Total	**0.00**	**0.00**

* Either severally or jointly

NOTE - 22

OTHER CURRENT ASSETS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Interest accrued on deposits	194.33	197.66
Interest accrued on loans and advances	80.79	68.59
Interest accrued on Income Tax Refund	470.49	917.70
Income Tax Receivables	2566.83	4061.39
Total	**3312.44**	**5245.33**
Less:		
Provision for Doubtful Advances	0.00	0.00
Total	**3312.44**	**5245.33**

NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS

~~NOTE 23~~

NET REVENUE FROM OPERATIONS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(A) Revenue From Sale of Services		
Fixed Telephone:		
Fixed Monthly Charges	6605.28	6829.02
Calls & Other Charges	5539.18	6543.58
Franchisee Services	498.12	677.42
Rent & Junction Charges- Ms	0.00	(194.43)
Rent & Junction Charges- Others	1308.09	1363.72
Access Calls & Others Charges- Ms	0.00	127.20
Access Calls & Others Charges- Others	1925.43	1854.18
IPTV	14.80	18.21
Broadband	6814.90	6374.85
VCC	36.04	60.58
Circuts- Local	1023.81	1045.68
Circuts- Long Distance	1418.83	1092.38
ISDN- Fixed Monthly Charges	412.46	418.05
ISDN- Call Charges	339.25	370.26
Mobile Services:		
Wll-Fixed Charges	85.33	82.44
Wll-Call Charges	39.27	152.76
Interconnection Charges	2936.87	2044.97
Cellular- Fixed & Call Charges	1643.89	1375.90
Income From Roaming	259.64	222.38
Pre-Paid Income	2182.14	2528.55
Activation Charges	3.20	4.06
VAS	73.48	76.68
Other Services:		
Internet	34.34	54.90
Free Phone	253.98	225.94
Premium Rate Services	3.30	3.18
VOIP Services	11.31	17.79
Miscellanous	18.33	30.06
(B) Other Operating Revenues		
Revenue From Enterprise Business	92.47	3196.40
Surcharge On Delayed Payments	158.81	142.82
Total	**33,732.53**	**36,739.52**

NOTE - 24

OTHER INCOME

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
INTEREST		
(i) From Bank	7.71	473.05
(ii) From Employees	92.87	93.39
(iii) From Others	288.32	288.40
(iv) From Income Tax Refunds	331.36	1060.38
DIVIDEND INCOME	**0.00**	**34.15**
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	3.00	4.80
Profit on sale of assets	35.97	25.79
Liquidated damages	178.35	161.69
Foreign Exchange Fluctutation Gain	0.47	1.60
Bad Debts Recovered	14.26	5.81
Excess Provision Written back	743.90	556.60
Rent on Quarters/ IQs/ Hostels & other services	56.49	48.95
Rental income from properties	297.63	197.54
Others	461.31	228.29
Total	**2511.64**	**3180.44**

NOTE - 25

EMPLOYEE BENEFITS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Salary, Wages & Other Benefits	21373.65	20483.18
Bonus / Exgratia	0.05	0.08
Medical Expenses/ Allowances	833.74	776.28
Leave Encashment		
(I) Company Employees	943.32	1746.83
(II) Others	14.46	7.70
Pension Contribution		
(I) Company Employees	15620.86	11927.16
(II) Others	165.48	12.15
Contribution To CPF	521.48	542.13
Gratuity	1906.17	1808.66
Staff Welfare Expenses	34.67	21.71
Total	**41413.87**	**37325.88**
Less:		
Allocation To Capital Work In Progress	4298.25	4852.66
Total	**37115.63**	**32473.22**

NOTE - 26

REVENUE SHARING

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
REVENUE SHARING	4539.95	4484.09
Total	**4539.95**	**4484.09**

NOTE - 27

LICENCE FEES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
LICENSE FEES	2389.14	2875.91
Total	**2389.14**	**2875.91**

NOTE - 28

ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Power, Fuel & Water	2135.25	2022.26
Rent	810.06	842.50
Repairs & Maintenance		
(1) Building	162.54	171.69
(2) Plant & Machinary	1243.67	1191.95
(3) Others	212.15	368.90
Seminar & Training Charges	3.74	9.53
Insurance	61.27	53.71
Rates & Taxes	406.56	552.72
Wealth Tax	2.37	1.91
Travelling Expenses	11.35	18.59
Postage & Courier	77.22	114.28
Printing & Stationery	89.73	101.98
Vehicle Expenses		
(I) Maintenance	8.91	10.71
(II) Running	27.89	27.37
(III) Hiring	95.91	101.29
Commission Paid To Franchisee Services	355.81	493.15
Advertising / Business Promotion Expenses	195.92	231.83
Foreign Exchange Fluctuation Loss	33.10	0.00

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Provision For Doubtful Debts	828.71	934.59
Provision For Wrong Billing	4.62	5.25
Provision For Obsolete Store / Claim	30.45	25.18
Bad Debts Written Off	11.52	82.04
Professional & Consultancy Charges	59.63	57.90
Internet Charges	413.57	384.42
Loss On Sale Of Assets	181.82	100.90
Loss Of Assets (Other Than On Sale)	202.26	169.23
Spectrum Charges (Wll)	0.51	5.95
Spectrum Charges (Ms)	398.25	329.36
Donation	0.00	0.00
Interest On Customer's Deposits	4.11	4.70
Provision For Doubtful Advances	16.54	8.07
Miscellaneous Expenses	721.51	1083.30
Total	**8806.95**	**9505.24**
Less:		
Allocation To Capital Work In Progress	613.60	285.30
Total	**8193.35**	**9219.94**

NOTE - 29

DEPRECIATION & AMORTIZATION EXPENSES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Depreciation	8578.57	7731.86
Amortization 3G Spectrum	3282.00	3282.00
Amortization BWA Spectrum	3022.65	3022.64
Amortization other intangibles	78.94	64.98
Total	**14,962.15**	**14,101.48**

NOTE - 30

FINANCE COST

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
INTEREST ON LOAN	9491.62	4514.76
Total	**9491.62**	**4514.76**

NOTE - 31

INCOME TAX EXPENSE

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Current Tax	0.00	0.00
Deferred Tax	0.00	0.00
Taxes Of Earlier Period Paid/ Written Back	0.00	285.38
Total	**0.00**	**285.38**

NOTE - 32

PRIOR PERIOD ITEMS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
PRIOR PERIOD ITEMS (DEBIT)		
Repair To Buildings & Others	2.08	0.00
Depreciation	147.37	10.16
Others	9.08	(25.83)
Less:-		
PRIOR PERIOD ITEMS (CREDIT)		
Income From Telephone	(0.83)	0.00
Excess Provision Written Back (Income Tax)	8.10	0.00
Interest On Income Tax Refund	(471.03)	0.00
Others	(27.90)	0.00
NET	**650.18**	**(15.67)**

NOTE - 33

EARNINGS PER SHARE

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Basic	(65.23)	(44.47)
Diluted	(65.23)	(44.47)

NOTE - 34

PAYMENS TO STATUTORY AUDITORS (Disclosure Note only)

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
a. As Auditor	3.09	3.09
b. For Taxation Matters	0.67	0.67
c. For Company Law Matters	0.00	0.00
d. For Management Services	0.00	0.00
e. For Other Services	2.47	2.47
f. For Reimbursement of Expenses	0.96	2.48
TOTAL	**7.20**	**8.72**

NOTE - 38

EXCEPTIONAL ITEMS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Write down of Inventories to NRV	0.00	0.00
Disposal of Long Term Investments	0.00	0.00
Litigation Settlement	0.00	0.00
Other Reversal of Provisions	0.00	0.00
Embezzlement of Cash	0.00	0.00
VRS Compensations	0.00	0.00
Others	0.00	0.00
TOTAL	**0.00**	**0.00**

NOTE - 39

EXTRAORDINARY ITEMS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Attachment of Property	0.00	0.00
Loss due to Earthquake	0.00	0.00
Others	0.00	0.00
TOTAL	**0.00**	**0.00**

NOTE - 40

NOTES TO ACCOUNTS

(₹in Millions)

		2011-12	2010-11
1.	**Contingent Liabilities**	**2011-12**	**2010-11**
(a)	Income Tax Demands disputed and under appeal	11017.99	9774.02
(b)	Sales Tax, Service Tax, Excise duty, Municipal Tax Demands Disputed and under Appeal	5761.43	4906.0
(c)	Disputed Demand under Lease Act	49.92	37.39
(d)	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	9859.69	10003.92
(f)	Bank guarantee & Letter of Credit	981.62	951.15
(g)	Directory dispute	2858.34	2858.34
(h)	Interest demanded by DOT and disputed by company on account 1738.10 of delay in payment of Leave Salary and Pension Contribution		1738.10
(i)	Pending court cases against land Acquisition	Indeterminate	Indeterminate

(j) Contingent Liability on account of Income Tax as shown in 1(a) above excludes various notices received from TDS department creating demand due to non-matching of their records with the returns filed and notices u/s115 WG(c) of I.T. Act for FBT for the Assessment year 2007-08 to 2009-10 and a notice u/s 148 of I.T. Act for the assessment year 2007-08, as the same are Indeterminable.

(k)	BSNL IUC contingent liability	1403.63	

2. Change in Accounting Policy

During the year the company has decided to merge the CDMA units with the Mobile (GSM) Units which were earlier merged with the Basic Units. The resultant change in provision for doubtful debts and CDMA instrument for older more than 180 days in line with the Mobile (GSM) units in comparison of provision for balances older more than three years in accordance with the policy of the Basic Units. Due to this change an additional provision of ₹.56.55 millions and ₹.65.70 millions for provision for doubtful debts and CDMA instruments respectively has been made during the year.

3. Presentation and disclosure of financial statements:

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The bifurcation of assets and liabilities into current and non-current basis has been made on best judgement basis in consonance with the operating cycle of MTNL. The previous year figures have been regrouped on judgmental basis. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

4. Estimated amount of contracts remaining to be executed on capital account is ₹.2004.16 Millions (Previous year ₹ 4467.43 millions). In respect of contracts where the expenditure already incurred has exceeded the contract value and the contract remains incomplete, the additional expenditure required to complete the same cannot be quantified.

5. Other liabilities include credits on account of receipts including service tax from subscribers amounting to ₹.412.24 Millions (₹.417.45 Millions), which could not be matched with corresponding debtors or identified as liability, as the case may be. Appropriate adjustments/ payments shall be made inclusive of service tax, when these credits are matched or reconciled. Therefore, it could not be adjusted against making provision for doubtful debts.

6. 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 ₹.4003.32 million (₹.4003.32 million) for this claim for the years 1997-98, 1998-99 and 1999-2000, however, the demands on this account amounting to ₹.3948.46 millions (₹.4138.30 million) for the years 1999-00 to 2005-06 have been shown as contingent reserve to meet the contingency that may arise out of disallowances of claim of benefit u/s 80IA of Income Tax Act,1961.

b) Income Tax receivable include appeal effect of ₹.1015.43 millions pertaining to assessment year 2000-01 which is pending for settlement by the Income Tax Department. This include Tax amount of ₹ 603.03 millions and interest accrued thereon amounting to ₹ 412.4 millions (including ₹ 101.86 millions for the year). Efforts are being made to recover the same at the earliest.

c)In accordance with Accounting Standard 22, accounting for taxes on Income, the company has deferred tax assets amounting to ₹.25850.97 million (₹.15932.20 million) including ₹.4483.76 (₹.3251.23) million on account of unabsorbed depreciation and ₹.21367.21 million (₹ 12680.97 million) brought forward business losses as on 31.3.2012. 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 Rs25849.66 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.

7. a) Provision for taxation for the current year comprises of Income Tax of ₹ Nil Millions, Wealth Tax of ₹.2.37 Millions.

   b) During the year, the company has suffered a business loss of ₹ 41097.84 millions. The company intends to carry forward its business loss including unabsorbed depreciation/amortization to the tune of ₹.35538.41 million as per calculation made under Income Tax 1961.

8. (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 ₹ 258.2 Millions which being under dispute, has not been provided for. The company has filed its counter claims of ₹ 228.7 Millions before the Hon'ble High Court against Sterling/ UDI/UIP and has also filed arbitration claims of ₹ 561.8 Millions plus interest @ 21% per annum against these parties under the original agreement. Pending finalisation of this dispute, the company has raised and recorded as 'Claims Recoverable', a claim for ₹ 154.91 Millions (₹ 154.91 Millions) on account of royalty, interest and billing charges and on payments made through Letter of Credit;₹.130.47 Millions (₹.130.47 Millions) recovered there against by the company from subscribers for the issue of directories, is carried under 'Current Liabilities'. Further claims of the Nigam for interest and service charges aggregating ₹.143.67 Millions (₹.143.67 Millions) have not been accounted for. Financial implication of the claim raised against the company, adjustment of the sums received against outstanding claims, any non-realisation of claim and further claims recoverable shall be effected upon determination based on the outcome of the proceedings in the court of law.

MTNL has filed OMP No.151/1996 seeking enlargement of time under Section 28 of the Arbitration Act for the Arbitrator to publish the award. The case is still pending and will be listed along with OMP No.135/94 for final hearing. The petitioner M/s United India Periodical (Ltd.) filed OMP No.135/94 in the High Court of Delhi challenging the appointment of Arbitrator under Section 33 of the Arbitration Act 1940. The Petition is pending from 24.10.1994 in the High Court of Delhi. Now the petitioner has filed an application for amendment in the petition filed in the year 1994 with the prayer that the arbitration clause 20 of the original contract dated 14.3.1987 be determined by the Hon'ble Court of the subsequent events. During the financial year 2011-12, the Hon'ble High Court pass an order on 7.12.2011directing to stop arbitration proceedings against M/s Sterling regarding the arbitration case of M/s UIP also and it is informed by learned arbitrator that this proceeding stand still in the SLP filed by UIP. However, MTNL is not received the certified copy of the order. On receipt of the same MTNL will file further to the court. 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 ₹.228.7 millions towards Royalty, Interest on Royalty amount upto 31.8.1994, amount paid against LC, Interest on amount of LC, L/D for non-performance and other charges etc. for Delhi and Mumbai both units. This suit is filed after non-performance of supplementary agreement dated 19.7.1991 & 26.9.1991 by M/s Sterling Computers Ltd. The case is still pending at Mumbai High Court.

(b) MTNL entered into contracts with M/s M & N Publications Limited for printing, publishing and supply of telephone directories for Delhi and Mumbai units for a period of 5 years starting from 1993. In view of the breaches of the terms and conditions of the contracts committed by the contractor in publishing first issue of the directories of both units and their failure to execute the remaining part of the contracts, both the contracts were terminated by MTNL on 22.07.1996. Income from royalty and other applicable recoveries, for first issue published by contractor,₹ 181.2 Millions have been accounted for and received. As regards Delhi Unit, MTNL has claimed to the extent of ₹.2110 millions (approx.) plus interest thereon at various rates while M/s M&N Publications have counter claim of ₹.2860 millions (approx.) plus interest thereon. Sole Arbitrator has been appointed by both the parties. The effect of claims under the contract for remaining issues published by contractor will be accounted for in the year of issuing of award by the Sole Arbitrator.

9. 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. Stamp Duty and the lands and buildings acquired from DOT is payable by DOT as per sale deed and in respect of properties acquired after 1.4.1986, the documentation shall be contemplated at the time of sale or disposal when and if needed.

10. The Mumbai Unit had applied for amnesty under the Maharashtra Kar Nivaran Yojana, 1999 in respect of the Sales Tax demands of ₹ 8.10 Millions (₹ 8.10 Millions). The application for amnesty towards demands aggregating ₹.2.09 Millions (₹.2.09 Millions) has been accepted. The balance applications relating to demands of ₹.6.02 Millions (₹.6.02 Millions) are under process and are not included under Contingent Liabilities.

11. The amount recoverable from BSNL is ₹.30679.67 Millions (₹.24365.92 Millions) and amount payable is ₹.15205.76 Millions (₹.12062.01 Millions). The Net recoverable of ₹.15473.91 Millions (₹.12303.91 Millions) is subject to reconciliation and confirmation. In the absence of agreement with BSNL the sharing is on the basis of 70:30 ratio.

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

b) 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 ₹ 98.01 millions on the basis of actual reimbursement made for subsequent periods against the disputed claim of ₹.312.72 millions, since no details / justifications are received from BSNL in spite of repeated persuasion till date. The balance amount of ₹ 214.72 millions is shown as contingent liability.

c) In both Delhi and Mumbai Unit an amount of ₹ 3375.84 (3335.88 m) and ₹.2750.38 (2625.19 m) has been accounted as receivable and payable from BSNL respectively on account of IUC charges which is included in the recoverable & payable amounts as shown above.

d) During the year in Delhi Unit an amount of ₹.104.69 millions (₹.142.60 million) including service tax towards interconnect charges on rate prescribed by TRAI in IUC regulation in the absence of any interconnect agreement between MTNL & BSNL. BSNL is also charging the same and the claim raised by both parties are under dispute. Direct connectivity traffic expenditure with BSNL has been booked on the basis of billing system of Delhi Unit.

e) During the year an amount of ₹.868.65 millions (₹ 586.65 m) have been accounted for as Infrastructure Usage charges receivable from BSNL for using the various office building and spaces of MTNL.

f) During the year an amount of ₹.190.58 million (₹.184.91 million) has been accounted as receivable from BSNL on account of Property Tax, Electricity, water and fuel charges by both Delhi and Mumbai Units.

12. As per directions of the court one UASL operator has deposited ₹.1249.30 million and ₹.339.90 million in 2004-05 and 2005-06 respectively against the claim of ₹.1589.20 million. The company has recognized the amount realized as revenue in the respective period. The UASL operator has filed an application in the Hon. TDSAT in which case TDSAT delivered a judgment on 2.8.2011 wherein the petitioner has been permitted to file 6 CDRs giving the complete call record and MTNL respondent are allowed to file their reply thereafter for further review by TDSAT.

13. The company had subscribed to 8.75% Cumulative Preference Shares of M/s. ITI Limited, amounting to ₹.1000 Millions during the year 2001-02. As per the terms of allotment, the above Preference Shares were proposed to be redeemed in 5 equal installments. Accordingly, five installments amounting to ₹.200 Millions each, aggregating to ₹.1000 Millions 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 installments. Moreover, no dividend income has been booked in the accounts for the same, as ITI Limited has not declared any dividend.

14. Amount recoverable on current account from DOT is ₹.34328.25Millions (₹ 33207.87 Millions) and amount payable is ₹.516.44 Millions (₹.528.11 Millions). The net recoverable of ₹.33811.81 Millions (₹.32679.76 Millions) is subject to reconciliation and confirmation.

a) Deposits from applicants and subscribers as on 31st March, 1986 were ₹ 1503.59 million (₹.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 w.e.f. 1.4.1986. Balance still recoverable from DOT on this account is ₹.558.45 million (₹.558.45 million).

b) The balance in the Subscribers' Deposit Accounts is to the tune of ₹.6588.81 million (₹.7206.33 million). Out of this the balance pertaining to Mumbai unit of ₹ 3211.94 millions (3756.61millions) has been reconciled during the year with the relevant subsidiary record maintained under CSMS package. Pending management decision, a total excess credit amount of ₹,1341.92 million in General Ledger than CSMS package on account of reconciliation is being kept as long term provision as at 31st March, 2012. In Delhi Unit an amount of ₹ 3133.56 Millions (Rs3368.55Millions) on account of subscriber deposits is under reconciliation and overall Interest Accrued and Due thereon for both the units of ₹.23.97 Millions (₹.22.25 Millions) is subject to reconciliation with the relevant subsidiary records. The unlinked receipt is of the tune of ₹.412.60 millions of both the units.

c) The aggregate balance of sundry debtors as per the subsidiary records is higher by ₹.94.70 millions (₹-17.69 millions) 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 Delhi unit, in circuits, provision of Debtors including spill over has been made amounting to ₹.1014.53 millions (₹.803.23 m) against the total debtors excluding service tax amounting to ₹.1321.61 million (₹.1307.61 m) on the basis of financial books.

15. License Fees is calculated on the AGR accounted for on accrual basis in respect of both revenue and revenue sharing with all other operators. As regards the directions of Supreme Court in respect of calculation of License Fees and AGR the matter has been referred back to TDSAT and is pending.

However, MTNL is not a party to the dispute and the AGR is calculated as per License Agreement. In respect of revenue sharing with BSNL the issue is taken up with DOT. The impact of ₹1403.63 Million on this account has been shown as contingent liability.

16. a) Out of total provision of Gratuity of ₹ 13790.64 Millions up to 31.3.2012 (₹ 12107.42 Millions), an amount of ₹ 1943.73 Millions(₹ 1943.73 Millions) and ₹ 665.40 Millions (₹ 665.40 Millions) is recoverable from DOT, in respect of Group C & D and Group B employees respectively, for the period prior to their absorption. As on 31.03.2012 ₹10386.13 Millions is available with the Gratuity Trust.

b)The total provision of Leave Encashment is ₹ 7370.75 Millions up to 31.3.2012 (₹ 6943.12 Millions). Out of this, an amount of ₹ 433.74 Millions (₹ 433.74 Millions) and ₹ 653.68 Millions (₹ 653.68 Millions) 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 ₹ 13541.11 Millions (₹ 12780.66 Millions) towards GPF contribution is recoverable from DOT as on 31.3.2012. 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 ₹ 78991.46 Millions (₹ 66560.93 Millions) upto 31.3.2012. Out of this an amount of ₹ 7546.2 Millions (₹ 7546.2 Millions) and ₹ 2201.02 Millions (₹ 2201.02 Millions) 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 principle 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. The necessary adjustments will be made in the books on finalization of modalities.

17. The diminutions in value of investments in Subsidiaries & Joint Ventures are considered as temporary in view of making of profit by the Joint Ventures and one subsidiary and accumulated losses earlier and nominal loss in other subsidiary, hence no provision is made.

18. 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.

19. 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.

20. In both units, Delhi Unit & Mumbai Unit, CDMA exchanges of 100K & 50K have been decommissioned during financial year 2008-09 by the management. The liability on this project amounting to ₹.736.20 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.

21. 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.

22. Vacant Land and Guest Houses are valued at original value for the purpose of wealth tax provisions.

23. In case of Delhi Unit a sum of ₹.91.25 millions (₹.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 as such no interest income has been accounted for.

24. In respect of Mobile Services Delhi, A sum of ₹ 258.94 Million (Previous year ₹ 243.55 Million) claimed by 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 international 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.

    The fire accident claim in respect of data centre at CGO Complex Delhi is already lodged with Insurance Company and is pending for settlement for full claim and the insurance company's contentions are under challenge with IRDA.

25 Disclosures pursuant to Para 5(viii) of General Instructions for preparation of Statement of Profit & Loss Account under Revised Schedule VI of Companies Act, 1956.

(a) Value of Imports calculated on C.I.F. basis

(i)	Raw Material	- Nil
(ii)	Components and Spare Parts	-Nil
(iii)	Capital Goods	-Nil

(b) Expenditure in Foreign Currency

(i)	Professional & Consultancy Fees	=₹ 7.51 million
(ii)	Travel	=₹ 1.20 million
(iii)	Others	= ₹.27.60 million

(c) Earning in Foreign Exchange =₹.57.90 million

(d)Consumption of stores is included under the normal heads of Capital Expenditure and/or Repairs & Maintenance, and the issue of imported and indigenous items are not separately priced/ identified.

26. 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 interest has been paid during the year on account of delayed payments as required under the MSMED Act, 2006.

27. 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 **(₹ In Millions)**

Particulars	**2011-12**	**2010-11**
	Amounts	
Employer Contribution to Provident Fund*	521.48	542.13
Leave Encashment Contribution for DOT employees**	14.46	7.70
Pension Contribution for DOT employees***	165.48	12.15

* Mentioned as Contribution to CPF

**Mentioned as Leave Encashment-Others

***Mentioned as Pension contribution-Others

b) Defined Benefit Plans **(₹ In Millions)**

Particulars	**Gratuity**	**Pension****	**Gratuity**	**Pension****
	2011-12		**2010-11**	
Current Service Cost	563.15	3451.60	502.0	3380.0
Interest Cost	1033.56	5638.04	899.10	4842.7
Expected Return on Plan Assets	(899.83)	--	(877.30)	--
Actuarial(gain)/loss	284.14	6669.36	1251.60	3704.50
Past Service Cost	--	--	--	--
Curtailment and Settlement Cost/(Credit)	--	--	--	--
Net Cost	**981.02**	**15759.00**	**1775.40**	**11927.20**
Benefits paid during the year	(953.44)	(3311.76)	(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:

	2011-12		2010-11	
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. **(₹ In Millions)**

Particulars	**Gratuity**	**Pension**	**Gratuity**	**Pension**
	2011-12		**2010-11**	
Projected benefit obligation at beginning of the year	12073.10	66544.21	10444.60	56972.40
Interest Cost	1033.56	5638.04	899.10	4842.70
Current Service Cost	563.15	3451.60	502.00	3380.00
Past Service Cost	--	--	--	--
Benefit Paid	(950.85)	(3311.76)	(737.80)	(2355.40)
Actuarial (Gain)/loss on obligations	1071.68	6669.36	965.10	3704.50
Projected benefit obligation at end of the year	13790.64	78991.46	12073.10	66544.20

b) Plan Assets **(₹ In Millions)**

Particulars	**Gratuity**
Fair Value of plan assets at beginning of year	11187.90 (8958.40)
Expected Return on Plan Assets	899.83(877.30)
Contributions	1070.84(2376.50)
Benefit Paid	(950.85)(-737.80)
Actuarial gain/(loss) on Plan Assets	787.54(-286.50)
Fair Value of Plan Assets at the end of the year	12995.26*(11187.97)
Actual return on plan assets	1687.37(590.80)
Total expenses recognized during the year	981.02(-1775.40)

* (excludes ₹ 952.52 millions (₹.1070.84 million) recoverable from MTNL & includes ₹ 2609.13 million (₹ 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 31.03.2012.

(₹ In Millions)

Particulars	**Amounts**
Government of India Securities	3568.03(3305.72)
Corporate Bonds	4445.24(3708.03)
State Govt. Securities	1913.55(992.04)
Others	3068.44(3182.18)
Total	**12995.26*(11187.97)**

* (excludes ₹ 952.52 millions (₹.1070.84 million) recoverable from MTNL & includes ₹ 2609.13 million (₹ 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.

28. 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).

29. Information regarding Primary Business Segments: - AS - 17

S.No.	Particulars	Year Ended 31.3.2012 (Audited)	Year Ended 31.3.2011 (Audited)
1.	Revenue from Operations		
	Basic & other Services	26,682.95	30,899.69
	Cellular	7,310.16	6,450.74
	Unallocable	0.69	(164.18)
	Total	**33992.41**	**37,186.25**
	Less: Inter Unit Income	259.88	446.73
	Net Revenue from Operations	**33,732.53**	**36,739.52**
2.	**Segment result before finance cost and tax**		
	Basic & other Services	(22,478.37)	(17,898.84)
	Cellular	(6,158.30)	(3,858.31)
	Unallocable	(2,319.38)	(1,477.54)
	Total	**(30,956.05)**	**(23,234.68)**
	Less: Finance cost	9,491.62	4,514.76
	Less: Prior period items	650.18	(15.67)
	Profit before tax	**(41,097.84)**	**(27,733.77)**
	Less: Provision for Current & Deferred tax	-	-
	Less: Taxes for earlier period(s) written back/paid	-	285.38
	Profit after tax	**(41,097.84)**	**(28,019.16)**
3.	**Capital Employed**		
	(Segment Assets - Segment Liabilities)		
	Basic & other Services	(13,615.11)	31.26
	Cellular	63,832.76	68,652.96
	Unallocable	(24,850.68)	(2,219.40)
	Total	**25,366.97**	**66,464.81**

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.

30. 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. A.K. Garg	C.M.D.
Mr. Kuldip Singh	Director (Tech.)
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. Peeyush Aggarwal	Executive Director, Mumbai
Mr. A K Bhargava	Executive Director, WS

b) Related Party Transactions **(₹ In Millions)**

(Except DOT)

Transactions	Subsidiary	Joint Venture	Key Management Personnel
Guarantees	-	-	-
Unsecured Loan	-	NIL	NIL
Remuneration Paid	-	-	7.63
Loans & Advances	26.81	2.73	-

31. Earning Per Share - AS - 20

I)	Profit after Tax	(41093.60) Millions
2)	Number of Shares	630 Millions
3)	Nominal value of shares	₹ 10/-
4)	Basic/ diluted EPS	₹ (65.23)

32. 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.

33. 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:-

Name of JV & Subsidiary	Income	Expenditure	Profit	Total Assets	Total Liabilities
UTL	194.97	185.51	9.46	377.78	377.78
MTNL STPI IT Services Ltd.	15.15	14.86	0.29	23.52	23.52
Millinium Telecom Limited	1.81	0.85	(1.31)	62.98	62.98
Mahanagar Telecom Mauritius Limited	494.26	439.34	54.92	1292.42	1292.42
Total	**706.19**	**640.56**	**63.36**	**1756.70**	**1756.70**

34. 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 on allowable expenditure based on expert opinion.

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

(S.R. Sayal)	(Naresh Kumar)	(Anita Soni)	(A.K. Garg)
Company Secretary	**DGM(A/cs)**	**Director (Fin.)**	**Chairman & Managing Director**

For Bansal Sinha & Co.
Chartered Accountants
FRN No.006184N

Ravinder Khullar
(Partner)
Membership No. 082928

For Arun K.Agarwal & Associates
Chartered Accountants
FRN No.003917N

Rajesh Surolia
(Partner)
Membership No.088008

Place : New Delhi

Date : 30/6/2012

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Cash Flow Statement for the year ended 31st March 2012

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

		2011-12 (₹in Million)	2010-11 (₹ in Million)
A.	**Cash Flow from Operating Activities**		
	Net profit/ (loss) before Tax	**(40447.66)**	**(27747.53)**
	Adjustment for:		
	Prior period adjustment (net)	(502.81)	(259.56)
	Profit on sale of fixed assets	(35.97)	(25.79)
	Loss on sale of fixed assets	181.82	99.69
	Depreciation & Amortisation	14962.15	14101.48
	Interest cost	9491.62	4519.46
	Interest Income	(720.25)	(1915.55)
	Operating cash profit/ (loss) before working capital changes	**(17071.11)**	**(11227.80)**
	Adjustment for:		
	Trade and other receivables	(4150.97)	8060.04
	Inventories	249.19	330.31
	Trade and other payables	13383.64	(104841.51)
	Cash generated from operations	(7589.25)	(107678.96)
	Direct Taxes paid/adjusted (Net)	47.35	(2367.68)
	Net Cash Flow from Operating Activities	**(7541.90)**	**(110046.65)**
B.	**Cash Flow from Investing Activities**		
	Purchase of fixed assets (including capital WIP)	(8251.20)	(12530.48)
	Sale of fixed assets	1192.59	905.89
	Interest received	1190.09	3807.84
	Investments	26.79	148.79
C.	**Net Cash Flow from Investing Activities**	**(5841.73)**	**(7667.96)**
	Cash Flow from Financing Activities		
	Proceeds from borrowings	21918.19	74556.75
	Interest paid on borrowings	(9067.35)	(4194.63)
	Net Cash Flow from Financing Activities	**12850.84**	**70362.12**
D.	**Net Increase/ (Decrease) in Cash and Cash Equivalent**	**(533.08)**	**(47352.49)**
	Cash and Cash equivalent as at the beginning of the year	1401.41	48753.90
	Cash and cash equivalent as at the end of the year	**868.33**	**1401.41**
	Cash and cash equivalent as at the end of year represented by		
	Cash in hand (including cheques/drafts in hand)	58.24	95.08
	Balance with bank in current account (net of provisions)	809.20	1133.12
	Balance with bank in Fixed Deposit account	0.89	173.21
	TOTAL	**868.33**	**1401.41**

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

For Bansal Sinha & Co.	For Arun K. Agarwal & Associates	(S.R. Sayal)	(Naresh Kumar)
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 06184N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Ravinder Khullar)	**(Rajesh Surolia)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing Director
M.No. 082928	M.No. 088008		

Place : New Delhi
Date : 30th June, 2012

Bansal Sinha & Co.
Chartered Accountants
18/19, Old Rajinder Nagar,
New Delhi-110060
Ph.: 25853424, 25722270
FAX: 41046530
EMAIL: bsc@bansalsinha.com

ARUN K AGARWAL & ASSOCIATES
Chartered Accountants
105, South Ex Plaza-1, 389, Masjid Moth,
South Ex Part - II., New Delhi
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FAX: 011-46035037
EMAIL:arunagarwal_ca@rediffmail.com

AUDITORS REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

We have examined the attached Consolidated Balance Sheet of Mahanagar Telephone Nigam Limited (the Company) and its subsidiaries and joint ventures as at 31st March 2012 and the Consolidated Statement of Profit and Loss for the year ended on that date annexed thereto, and the Consolidated Cash Flow Statement for the year ended on that date. These Consolidated financial statements are the responsibility of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

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 prepared, in all material aspects, in accordance with an identified financial reporting framework and are free of material misstatements. 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 statements. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of subsidiaries and joint ventures whose financial statements reflect total assets of ₹ 1756.70 million as at 31st March 2012, Total Revenue of ₹ 706.19 million and total profit of ₹ 63.36 million for the year ended on that date. The financial statements of the subsidiaries and one of the joint ventures have been audited by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of those entities, is based solely on the report of the other auditors. The financials of the one of the joint ventures M/s. United Telecom Limited, Nepal having total assets of ₹377.78 million, Total Revenue of ₹194.97 million and total profit of ₹9.46 million have been incorporated as per management certificate.

We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 27, Financial Reporting of Interests in Joint Ventures in the Consolidated Financial statements, as notified by the Companies (Accounting Standards) Rules, 2006, as amended except :

a. We are unable to comment on the uniformity of the accounting policies amongst the subsidiaries and the parent company as the accounts of one of the Subsidiary has been prepared in accordance with International Financial Reporting Standards.

b. In absence of audited accounts of one of the joint joint venture, we have relied upon the unaudited figures provided by the management.

c. In absence of rates of foreign exchange as on the dates of transactions, the items of income and expenses have been translated at rates of foreign exchange as at the close of the year.

d. The exchange difference arising on consolidation of non integral operations have been shown in the balance of Surplus account.

On the basis of the information and explanations given to us and on the consideration of the separate audit report on individual audited financial statements of the Company and its aforesaid subsidiaries, in our opinion the consolidated financial statements read together with the attached schedules and Note on consolidation and other Notes thereon, give the information required by the Companies Act, 1956, in the manner so required and subject to:

a) Point No.6 (a) to Note No. 40 regarding deduction under section 80IA of the Income Tax Act claimed by the company of which 75% has already been allowed upto Tribunal level and the company has preferred an appeal for the remaining 25% with the High Court.The company is maintaining a provision for income tax amounting to ₹4003.31 millions for the years 1997-98 to 1999-2000 on this account whereas the similar claims for subsequent years involving a tax liability of ₹3948.46 Millions have been shown as Contingent Liability.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 requirement of the provision or contingency held in this regard.

b) Point No. 6 (b) to Note No. regarding accounting of appeal effect of ₹1015.43 millions including accrued Interest of ₹412.04 millions (₹ 101.86 Millions for the year) as recoverable is subject to adjustment as per the final orders to be passed by the Income Tax Department. Besides, 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) Points No.11 & 14 to Note No.40 regarding the amounts recoverable from BSNL/DOT 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.

d) Point No. 1(k) of Note 40 regarding disclosure of contingent liability of ₹1403.63 Million instead of actual provision on account of License Fee to the DOT which 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.

e) The company has allocated the establishment overheads as per Note 25 and Administrative overheads as per Note 28.The company's policy in this regard needs to be made more scientific and the same should avoid capitalizing the loss due to idle time of labour and machines.

f) Point No.32 of Note No. 40 regarding no impairment adjustment required to the carrying value of the fixed assets as at 31 March 2012. In our view, due to recurring losses incurred by the Company and uncertainty in the achievement of projections made by the Company, we are unable to comment on the provisions, if any, required in respect of impairment of carrying value of the fixed assets (including capital work in progress), other than land, and its consequential impact, if any, on the loss for the year, accumulated balance in the Profit and Loss Account and the carrying value of the fixed assets as at 31 March 2012.

g) Point No.27 (ii) of Note No.40 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.

h) Point No. 28 of Note No. 40 regarding Non provision of actuarial liability on account of medical expenses for retired employees and continuing employees as the Insurance policy has been taken by the company and yearly premium is only charged.

i) Insurance claim for the fire loss in Data Center in July, 2009 amounting to ₹40 Millions has been considered as good despite of the same being still pending with the Insurance Company.

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

k) Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts and non provision of disputed cases which are outstanding for less than three years in Basic and less than six months in wireless services.

l) Point No. 22 of Note No. 40 regarding non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions.

m) Point No.18 of Note No.40 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.

n) Point No.14(b) regarding balance in subscriber's deposits account of ₹ Million and interest accrued thereon of ₹6588.81 Million, unlinked receipts from subscribers ₹412.60 Million are subject to reconciliation. Balance of sundry debtors as per Ageing Summary is short by ₹94.70 Million with comparison to balance is general ledger though the same has been fully provided for (Refer Note No. 14(c)). The reconciliation of metered and billed calls in various units and leased, operational and billed circuits is in process. 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.

o) The matching of Billings for roaming receivables/payable with the actual traffic intimated by the MACH is not being made and the amounts received are allocated on estimated basis. The impact thereof, on profitability, if any, is unascertainable.

p) 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.

q) Point No.23 of Note No. 40 regarding provision for ADCC recoverable from Project Development Company amounting to ₹91.25 Million and non accounting of interest thereon in absence of explicit agreement to that effect.

r) Point No. 34 of Note No. 40 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.

s) The Company had accounted for ₹2850.00 millions towards wet lease for infrastructure and other services provided in respect of Commonwealth Games during the year 2010-11 of which ₹430 millions is subject to acceptance and final settlement.

t) The reconciliation of Income from Recharge Coupons, ITC Cards, Prepaid calling cards and stock of recharge coupons and leased circuits is not available for our verification.

u) No service tax is being charged on the revenue sharing with BSNL for inward circuits for which no bills are being raised.

v) The material sent to BSNL on barter basis, the VAT liability on this account has not been ascertained and provided for.

w) Point No 26 of Note No 40 regarding the requisite information & details for the identification of Micro, Small & Medium enterprises as such we are unable to comment upon the compliance of section 15 & 22 of the Micro Small & Medium Enterprises Development Act-2006.

The overall impact of matters referred to in the preceding paras on the loss for the year is unascertainable.

present a true and fair view in conformity with the accounting principles generally accepted in India:

a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries and Joint ventures as at 31st March 2012;

b) in the case of the Consolidated Statement of Profit and Loss, of the consolidated results of operations of the Company and its subsidiaries and joint ventures for the year ended on that date; and

c) in the case of the Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries and joint ventures for the year ended on that date.

We have also performed an audit of the standalone financial statements of the company for the year ended March 31, 2012, in respect of which we have issued our audit report dated June 30, 2012. This current report is not a reissuance or redating of that Report.

For Bansal Sinha & Co.	**For Arun K Aggarwal & Associates**
Chartered Accountants	**Chartered Accountants**
FRN- 006184N	**FRN - 003917N**
(Ravinder Khullar)	**(Rajesh Surolia)**
(Partner)	**(Partner)**
(Mem No. 082928)	**(Mem No. 088008)**

Place: New Delhi
Date: June 30, 2012

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2012

	Note No.	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	**2A**	6,300.00	6,300.00
Reserves & Surplus	**3A**	19041.70	59943.75
NON - CURRENT LIABILITIES			
Long Term Borrowings	**4A**	70000.00	25568.18
Deferred Tax Liabilities (Net)		24.91	21.04
Other Long Term Liabilities	**5A**	29350.43	27447.10
Long Term Provisions	**6A**	82047.80	72332.10
Current Liabilities			
Short Term Borrowings	**7A**	26483.69	49080.86
Trade Payables	**8A**	2666.22	2278.07
Other Current Liabilities	**9A**	25375.80	26546.97
Short Term Provisions	**10A**	8088.20	5136.94
	Total	**269378.75**	**274655.00**
ASSETS			
Non - Current Assets			
Fixed Assets			
(A) Tangible Assets	11a	69987.35	69233.93
(B) Intangible Assets	12a	88424.87	94748.73
(C) Capital Work In Progress	13a	9127.47	11644.88
Non Current Investments	14a	800.00	3500.00
Long Term Loans And Advances	15a	49351.98	48875.46
Other Non Current Assets	16a	31704.43	26566.47
Current Assets			
Current Investments	17a	2700.00	0.00
Inventories	18a	1024.95	1266.84
Trade Receivables	19a	3496.43	3659.51
Cash & Cash Equivalents	20a	1341.27	1778.86
Short Term Loans & Advances	21a	8101.13	8125.67
Other Current Assets	22a	3318.88	5254.66
	Total	**269378.75**	**274655.00**

Significant Accounting Policies **1A**

See accompanying notes to the financial statements

In terms of our report of even date

For and on behalf of Board

For Bansal Sinha & Co.	**For Arun K. Agarwal & Associates**	**(S.R. Sayal)**	**(Naresh Kumar)**
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 06184N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Ravinder Khullar)	**(Rajesh Surolia)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing Director
M.No. 082928	M.No. 088008		

Place : New Delhi

Date : 30th June, 2012

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Statement of Consolidated Profit and Loss for the year ended 31st March, 2012

	Note No.	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
REVENUE			
Net Revenue From Operations	**23A**	34415.28	37459.47
Other Income	**24A**	2535.08	3194.17
	Total Revenue	**36950.36**	**40653.63**
EXPENSES			
Employee Benefits	25A	37144.19	32504.25
Revenue Sharing	26A	4689.09	4654.17
Licence Fees	27A	2426.82	2923.69
Administrative, Operative And Other Expenses	28A	8467.16	9470.10
Depreciation & Amortisation	29A	15105.28	14229.23
Finance Cost	30A	9499.85	4529.41
	Total Expenses	**77332.40**	**68310.84**
Profit/(Loss) Before Exceptional & Extraordinary Items & Tax		**(40382.04)**	**(27657.20)**
Exceptional Items	**38A**	2.26	0.00
Profit/(Loss) Before Extraordinary Items & Tax		**(40384.31)**	**(27657.20)**
Extraordinary Items	**39A**	0.00	0.00
Profit/(Loss) Before Tax		**(40384.31)**	**(27657.20)**
Tax Expenses:	**31A**		
Current Tax		13.07	9.87
Deferred Tax		(6.43)	26.50
Taxes Of Earlier Period Paid/ Written Back		0.37	291.37
Profit/(Loss) After Tax		**(40391.32)**	**(27984.94)**
Prior Period Items	**32A**	650.18	(15.65)
Profit/(Loss) For The Period		**(41041.50)**	**(27969.30)**
Earnings Per Equity Share	**33A**		
(1) Basic		(65.15)	(44.40)
(2) Diluted		(65.15)	(44.40)

See accompanying notes to the financial statemens

In terms of our report of even date

For and on behalf of Board

For Bansal Sinha & Co.	For Arun K. Agarwal & Associates	(S.R. Sayal)	(Naresh Kumar)
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 06184N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Ravinder Khullar)	**(Rajesh Surolia)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing Director
M.No. 082928	M.No. 088008		

Place : New Delhi
Date : 30th June, 2012

Note 1A : 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 ₹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 realization 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 Wireless Services (GSM & CDMA), 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 ₹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 directlrelated 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 ₹0.01 Millions in case of Apparatus & Plants, Training Equipment & Testing Equipment and ₹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.

NOTES FORMING PART OF BALANCE SHEET AS AT 31ST MARCH 2012

~~**NOTE 2A**~~

Share Capital

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
AUTHORISED CAPITAL		
80,00,00,000 Equity Shares of ₹10/- each	8,000.00	8,000.00
(Prev yr. 80,00,00,000 Equity Shares of ₹10 each)		
ISSUED SUBSCRIBED AND PAID UP CAPITAL		
63,00,00,000 Equity Shares of ₹10 each	6,300.00	6,300.00
(Prev yr. 63,00,00,000 Equity Shares of ₹10 each)		
Total	**6,300.00**	**6,300.00**

Shareholders holding more than 5% shares

Name of Shareholders	As at 31.3.2012		As at 31.3.2011	
	No. of Share held	% of Holding	No. of Share held	% of Holding
President of India	354378740	56.25	354378740	56.25
LIC of India	118515213	18.81	118515213	18.81
The Bank of New York Mellon	27779960	4.41	33284810	5.28

NOTE-3

Reserves & Surplus	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Share Premium Account		
Opening Balance	6650.05	6650.05
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	6650.05	6650.05
Surplus/ (Deficit)		
Opening Balance	(49383.39)	(23802.04)
Add: Profit during the year	58.34	54.75
Less: (Loss) during the year	(41099.84)	(28024.04)
Less: Proposed/ Final Dividend	0.00	0.00
Less: Transfer to Other Reserves	0.00	0.00
Add: Transfer from Other Reserves	329.29	2387.95
Closing Balance	(90095.59)	(49383.39)
Reserve for Contingencies		
Opening Balance	4138.30	6526.25
Addition	0.00	0.00
Deletion	(189.85)	(2387.95)
Closing Balance	3948.46	4138.30
Reserve for Research & Development		
Opening Balance	308.00	308.00
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	308.00	308.00
General Reserves		
Opening Balance	98230.79	98230.79
Addition	0.00	0.00
Deletion	0.00	0.00
Closing Balance	98230.79	98230.79
Total	**19041.70**	**59943.75**

NOTE - 4A

LONG TERM BORROWINGS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(A) Secured **(a) Term Loans** **From Banks** (Secured by floating first pari passu charge on all fixed and curent assets) (The outstanding term loan as at 31.03.2012 carries a moratorium period of three years during which the company is contracted to pay only interest obligation. The repayment of principal is due from FY 2013-14 onwards)	70000.00	25568.18
Total	**70,000.00**	**25568.18**

NOTE - 5A

OTHER LONG TERM LIABILITIES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Payble to BSNL	15205.76	11998.81
Security Deposits from Customers	5816.35	7425.49
Trade Payables- Non Current	648.39	1345.32
Other Long Term Liabilities	7679.92	6677.48
Total	**29,350.43**	**27,447.10**

NOTE - 6A

LONG TERM PROVISIONS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(a) Provisions for Employee Benefits		
Pension- Company Employees	72495.08	63236.02
Leave Encashment- Company Empolyees	6936.10	6445.58
Gratuity- For DoT Period	2609.13	2609.13
(b) Other long Term Provision	7.49	41.38
Total	**82,047.80**	**72,332.10**

NOTE - 7A

SHORT TERM BORROWINGS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
A. Loans repayble on demand		
Unsecured		
(i) From Banks- Overdrafts	26483.68	19280.86
Secured		
(i) From Banks	0.00	29800.00
Total	**26483.69**	**49080.86**

NOTE - 8A

TRADE PAYABLES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(i) For Goods and Services	2666.22	2278.07
Total	**2666.22**	**2278.07**

NOTE - 9A

OTHER CURRENT LIABILITIES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Interest Accrued but not due		
(i) On security deposits	22.34	23.11
(ii) On borrowings	749.16	324.90
Income received in advance	1218.74	458.56
Other Payables		
Deposits from :		
(i) Contractors	381.91	308.23
(ii) Customers	810.87	922.43
Unclaimed Bonds	0.68	0.68
Other Liabilities		
(i) For Salary & other benefits	1633.20	1972.55
(ii) ExGratia/ Bonus	0.15	0.15
(iii) GPF of MTNL optee	13757.91	13432.47
(iv) Service Taxes & withholding Taxes Payables	2391.92	2357.25
(v) Advance received from customers	759.70	1177.07
(vi) Others	1267.86	1512.51
Amount Payable:		
(i) To DoT	516.44	423.72
(ii) To contractors- other than goods & services	1053.84	1478.12
(iii) To other operators for revenue sharing (Other than BSNL)	811.08	2155.22
Total	**25375.80**	**26546.97**

NOTE - 10A

SHORT TERM PROVISIONS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Provision for employee benefits		
Pension contribution		
(i) Company employees	6496.38	3324.91
(ii) Others	119.05	120.53
Leave Encashment		
(i) Company employees	435.07	497.54
(ii) Others	2.90	4.98
Others		
Provision for ExGratia/ Bonus	1.44	7.14
Gratuity- Company employees	953.32	1105.18
Others	60.73	61.99
OTHERS		
Provision for Income tax	1.02	0.54
Provision for Wealth tax	18.30	14.13
Provision for Dividend	0.00	0.00
Provision for Dividend Distribution Tax	0.00	0.00
Total	**8088.20**	**5136.94**

NOTE - 11A TANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation & Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2011	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2012	As At 1.4.2011	For The Year	Sales/ Adjustments During The Year	As At 31.3.2012	As.at 31.3.2012	As.at 31.3.2011
LAND:											
- FREEHOLD	192.05	-	-	-	192.05	-	-	-	-	192.05	192.05
- LEASEHOLD	3,164.57	25.54	-	-	3,190.10	393.82	31.45	(0.02)	425.29	2,764.81	2,770.75
BUILDING	13,082.47	1,065.89	20.94	2.80	14,129.71	4,145.58	494.15	(5.76)	4,645.49	9,484.22	8,937.61
LEASED PREMISES	53.52	-	-	-	53.52	10.31	1.00	-	11.31	42.21	43.21
LINES & WIRES	996.56	107.68	0.30	-	1,104.54	666.00	36.72	(1.27)	703.99	400.55	330.56
CABLE	72,157.07	1,671.33	5.20	9.48	73,824.13	51,826.14	2,272.99	(43.98)	54,143.12	19,681.01	20,330.84
APPARATUS & PLANT	86,820.37	6,697.17	1,503.40	1,240.80	91,425.56	52,559.62	5,543.04	1,819.92	56,282.74	35,142.82	34,116.15
VEHICLES	331.62	2.95	(9.15)	22.38	301.88	276.52	11.40	27.71	260.21	41.67	54.23
FURNITURE & FIXTURES	1,501.04	9.81	(2.63)	0.03	1,508.20	1,065.68	57.67	1.91	1,121.44	386.76	436.31
OFFICE MACHINERY & EQUIPMENTS	386.54	7.55	(0.46)	0.24	391.43	240.65	15.37	1.42	254.59	136.83	144.82
ELECTRICAL APPLIANCES	1,461.93	114.14	1.84	1.32	1,570.90	761.10	67.15	3.69	824.56	746.34	710.61
COMPUTERS	3,019.45	44.79	0.40	1.79	3,060.53	2,122.24	206.69	5.59	2,323.33	737.20	896.84
ASSETS SCRAPPED/ DECOMMISSIONED	265.60	83.28	101.89	16.11	230.88	-	-	-	-	230.88	269.94
TOTAL	**183,432.79**	**9,830.13**	**1,621.73**	**1,294.96**	**190,983.42**	**114,067.64**	**8,737.64**	**1,809.21**	**120,996.06**	**69,987.35**	**69,233.93**
Previous Year	**139,966.39**	**12,796.75**	**(98,136.30)**	**1,139.29**	**183,421.56**	**104,413.16**	**7,869.77**	**(7,369.50)**	**114,187.54**	**69,233.93**	**-**

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.

NOTE - 12A INTANGIBLE FIXED ASSETS

Description	Gross Block (₹ In Million)					Depreciation & Amortisation (₹ In Million)				Net Block (₹ In Million)	
	As At 1.4.2011	Additions During The Year	Adjustments During The Year	Sales During The Year	As At 31.3.2012	As At 1.4.2011	For The Year	Sales/ Adjustments During The Year	As At 31.3.2012	As.at 31.3.2012	As.at 31.3.2011
APPLICATION SOFTWARE	700.62	65.89	0.15	-	766.66	240.16	78.94	5.13	324.23	442.43	460.57
3G & BWA LICENCE FEES	110,979.70	-	-	-	110,979.70	16,691.54	6,304.65	1.08	22,997.26	87,982.44	94,288.16
TOTAL	**111,680.32**	**65.89**	**0.15**	**-**	**111,746.36**	**16,931.69**	**6,383.58**	**6.21**	**23,321.49**	**88,424.87**	**94,748.73**
Previous Year	**144,015.23**	**135.80**	**98,809.30**	**-**	**111,680.32**	**13,236.68**	**6,369.62**	**8,139.50**	**16,931.69**	**94,748.63**	**-**

NOTE - 13A

CAPITAL WORK IN PROGRESS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Buildings	1784.76	1541.95
Apparatus & Plants	4281.96	7034.35
Lines & Wires	102.88	46.66
Cables	1727.26	2163.21
Subscribers Installations	180.45	324.83
Air Conditioning Plants	1050.15	533.88
Less: Provision for Abandoned Works	0.00	0.00
Total	**9127.47**	**11,644.88**

NOTE - 14A

NON CURRENT INVESTMENTS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
A. TRADE INVESTMENTS		
(i) INVESTMENT IN PREFERENCE SHARES		
Investment in 10000000 8.75% Un Quoted preference shares of ₹100/- each fully paid up with M/s. ITI Ltd. Receivable in 5 equal instalments, first instalment of ₹200000000 due in 2012-13.	800.00	1000.00
B. Other Investments		
Investment in MKVDC bonds having a coupon rate of 11.50%	0.00	2500.00
Less: Provision of dimunition in value of investments	0.00	0.00
Total	**800.00**	**3500.00**

Particulars	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	800.00	3500.00
Total	**800.00**	**3500.00**

NOTE - 15A

LONG TERM LOANS AND ADVANCES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
SECURED, CONSIDERED GOOD		
Advances to employees		
i) Housing Loan	787.84	844.68
ii) Vehicle Loan	27.00	32.77
iii) Other Loans	8.41	12.05
UNSECURED, CONSIDERED GOOD		
Capital Advance	38.68	37.85
Deposits with other Govt. Deptt./Companies	658.72	445.29
Others		
Advance Taxes		
Income Tax	21434.76	21961.29
Less: Provision for income tax	(8853.48)	(8853.88)
	12581.28	**13107.41**
FBT	1506.78	1506.78
Less: Provision for FBT	(257.45)	(257.45)
	1249.33	**1249.33**
Cenvat	105.29	183.36
Amount recoverable from DoT	34262.80	33219.56
Total	**49719.35**	**49132.32**
Less:		
Provision for Doubtful Advances	367.37	256.85
Total	**49351.98**	**48875.46**

Loans and Advances stated above include due by:

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Directors *	0.00	0.00
Other officers of the Company *	0.00	0.00
Firm in which director is a partner *	0.00	0.00
Private Company in which director is a member *	0.00	0.00
Total	**0.00**	**0.00**

* Either severally or jointly

NOTE - 16A

OTHER NON CURRENT ASSETS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Receivable from BSNL	30679.67	25596.02
Interest accrued on loans and advances	930.68	962.19
Receivable from DoT	65.45	66.46
Others	9.06	11.32
Bank deposits (with more than 12 months maturity)*	84.02	0.00
Interest accrued on deposit	5.51	0.44
Less:		
Provision for other non current assets	69.96	69.96
Total	**31704.43**	**26566.47**

* includes ₹ 84.02 million under lien

NOTE - 17A

CURRENT INVESTMENTS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Investment in ITI Preference shares	200.00	0.00
Investment in MKVDC bonds having a coupon rate of 11.50%	2500.00	0.00
Total	**2700.00**	**0.00**

Particulars	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Aggregate amount of quoted investments (Market value of ₹ Nil, Previous Year ₹ Nil)	0.00	0.00
Aggregate amount of unquoted investments	2700.00	0.00
Total	**2700.00**	**0.00**

NOTE - 18A

INVENTORIES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Building Materials	0.00	0.46
Lines and Wires	32.00	17.99
Cables	537.23	622.74
Exchange Equipment	459.60	489.20
Telephone & Telex Instrument	137.79	224.39
WLL Instruments	161.04	160.01
Telephone & Telex Spares	10.38	1.05
Installation Test Equipment	2.71	4.07
Mobile Handset & Sim cards	23.23	23.58
Total	**1,363.98**	**1,543.48**
Less:		
Provision for obsolete stores	339.04	276.64
Total	**1,024.95**	**1,266.84**

NOTE - 19

TRADE RECEIVABLES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
SECURED/ UNSECURED*		
(a) OUTSTANDING FOR LESS THAN SIX MONTHS		
CONSIDERED GOOD	1499.27	1033.91
CONSIDERED DOUBTFUL	19.85	8.53
(b) OUTSTANDING FOR OVER SIX MONTHS		
CONSIDERED GOOD	1784.03	2356.78
CONSIDERED DOUBTFUL	6317.91	5845.89
Total	**9621.06**	**9245.10**
Less:		
PROVN FOR DOUBTFUL DEBTS	4929.60	4454.97
PROVN FOR WRONG BILLING	1195.04	1130.63
Total	**3496.43**	**3659.51**

* Secured to the extent of security deposits to the tune of ₹6588.81 million (PY ₹7206.33 million) which are under reconciliation.

Trade Receivable stated above include debts due by:

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Directors *	0.00	0.00
Other officers of the Company *	0.00	0.00
Firm in which director is a partner *	0.00	0.00
Private Company in which director is a member *	0.00	0.00
Total	**0.00**	0.00

* Either severally or jointly

NOTE - 20A

CASH AND CASH EQUIVALENTS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Balances with banks	857.55	1193.56
Cheques/ Drafts in hand	50.42	84.72
Cash in hand	7.85	10.40
Others	0.00	0.11
Bank deposits (with more than 1 year maturity)	437.62	501.43
(includes margin money with banks to the extent of ₹76.30 million (Previous Year ₹76.30 million)		
Total	**1353.43**	**1790.23**
Less:		
Provision for doubtful bank balances	12.16	11.37
Total	**1341.27**	**1778.86**

NOTE - 21A

SHORT TERM LOANS AND ADVANCES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(1) To EMPLOYEES		
Secured, Considered good		
i) Housing Loan	250.24	277.06
ii) Vehicle Loan	11.00	15.45
iii) Other Loans	7.67	11.96
Unsecured, Considered good;		
Festival, TA, LTC, Medical etc advances	611.57	808.59
(2) To OTHERS		
Unsecured, Considered good		
i) Contractors	395.65	514.71
(ii) Advance payment of Taxes		
(a) Income Tax	375.89	423.01
(b) Wealth Tax	15.93	12.22
(c) others	22.79	24.43
(iii) Prepaid expenses	**263.78**	**453.96**
(iv) Deposits with Excise and Sales tax		
(a) Service Tax Recoverable - others	636.19	0.18
(b) Cenvat Credit	1071.46	991.48
(v) Unbilled Revenue	**2089.16**	**2135.46**
(vi) Amount recoverable from		
(a) IUC Operators (Other than BSNL)	424.37	454.09
(b) Others	2184.54	2227.57
Total	**8360.22**	**8350.27**
Less:		
Provision for Doubtful Advances	259.10	224.61
Total	**8101.13**	**8125.66**

Short Term Loans & Advances stated above include due by:

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Directors *	0.00	0.00
Other officers of the Company *	0.00	0.00
Firm in which director is a partner *	0.00	0.00
Private Company in which director is a member *	0.00	0.00
Total	**0.00**	**0.00**

* Either severally or jointly

NOTE - 22A

OTHER CURRENT ASSETS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Interest accrued on deposits	197.13	204.47
Interest accrued on loans and advances	80.79	68.59
Interest accrued on Income Tax Refund	470.49	917.70
Income Tax Receivables	2570.47	4063.90
Total	**3318.88**	**5254.66**
Less:		
Provision for Doubtful Advances	0.00	0.00
Total	**3318.88**	**5254.66.**

NOTES FORMING PART OF STATEMENT OF PROFIT & LOSS

~~NOTE 23 A~~

NET REVENUE FROM OPERATIONS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
(A) Revenue From Sale of Services		
Fixed Telephone:		
Fixed Monthly Charges	6611.17	6835.58
Calls & Other Charges	5731.12	6724.91
Franchisee Services	498.12	677.42
Rent & Junction Charges- Ms	0.00	(194.43)
Rent & Junction Charges- Others	1308.09	1363.72
Access Calls & Others Charges- Ms	0.00	127.20
Access Calls & Others Charges- Others	1925.43	1854.18
IPTV	14.80	18.21
Broadband	6814.90	6374.85
VCC	36.04	60.58
Circuts- Local	1023.83	1045.68
Circuts- Long Distance	1433.34	1108.56
ISDN- Fixed Monthly Charges	412.46	418.05
ISDN- Call Charges	339.25	370.26
Mobile Services:		
Wll-Fixed Charges	85.41	82.44
Wll-Call Charges	39.27	152.76
Interconnection Charges	2988.21	2030.53
Cellular- Fixed & Call Charges	1775.44	1568.38
Income From Roaming	261.56	222.38
Pre-Paid Income	2292.70	2664.07
Activation Charges	3.20	4.06
VAS	76.57	76.81
Other Services:		
Internet	49.21	74.58
Free Phone	253.98	225.94
Premium Rate Services	3.30	3.18
VOIP Services	11.31	17.79
Miscellanous	175.29	152.57
(B) Other Operating Revenues		
Revenue From Enterprise Business	92.47	3196.40
Surcharge On Delayed Payments	158.81	142.82
Total	**34,415.28**	**37,459.47**

NOTE - 24A

OTHER INCOME

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
INTEREST		
(i) From Bank	12.35	479.16
(ii) From Employees	92.87	93.39
(iii) From Others	299.50	294.20
(iv) From Income Tax Refunds	331.36	1060.38
DIVIDEND INCOME	**0.00**	**34.15**
OTHER NON OPERATING INCOME		
Sale of directories, forms etc.	3.02	4.81
Profit on sale of assets	35.97	25.79
Liquidated damages	178.35	161.69
Foreign Exchange Fluctutation Gain	5.20	1.71
Bad Debts Recovered	14.26	5.81
Excess Provision Written back	743.90	556.60
Rent on Quarters/ IQs/ Hostels & other services	56.49	48.95
Rental income from properties	297.63	197.54
Others	464.18	229.99
Total	**2535.08**	**3194.17**

NOTE - 25A

EMPLOYEE BENEFITS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Salary, Wages & Other Benefits	21401.89	20513.78
Bonus / Exgratia	0.05	0.08
Medical Expenses/ Allowances	833.74	776.28
Leave Encashment		
(I) Company Employees	943.32	1746.83
(II) Others	14.46	7.70
Pension Contribution		
(I) Company Employees	15620.86	11927.16
(II) Others	165.48	12.15
Contribution To CPF	521.56	542.16
Gratuity	1906.17	1808.66
Staff Welfare Expenses	34.92	22.11
Total	**41442.44**	**37356.91**
Less:		
Allocation To Capital Work In Progress	4298.25	4852.66
Total	**37144.19**	**32504.25**

NOTE - 26A

REVENUE SHARING

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
REVENUE SHARING	4689.09	4654.17
Total	**4689.09**	**4654.17**

NOTE - 27A

LICENCE FEES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
LICENSE FEES	2426.82	2923.69
Total	**2426.82**	**2923.69**

NOTE - 28A

ADMINISTRATIVE, OPERATIVE & OTHER EXPENSES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Power, Fuel & Water	2164.60	2058.40
Rent	823.15	857.91
Lease Rentals other than on CWG	0.29	0.26
Repairs & Maintenance		
(1) Building	162.67	171.78
(2) Plant & Machinary	1243.68	1191.95
(3) Others	219.17	376.59
Seminar & Training Charges	3.81	9.56
Insurance	63.63	57.60
Rates & Taxes	408.54	554.84
Wealth Tax	2.37	1.91
Travelling Expenses	16.62	22.44
Postage & Courier	77.30	114.40
Printing & Stationery	92.46	105.84
Vehicle Expenses		
(I) Maintenance	9.83	11.40
(II) Running	29.95	29.42
(III) Hiring	95.91	101.29
Commission Paid To Franchisee Services	370.65	516.13
Advertising / Business Promotion Expenses	220.85	245.03
Foreign Exchange Fluctuation Loss	33.10	0.00

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Provision For Doubtful Debts	903.02	971.51
Provision For Wrong Billing	4.62	5.25
Provision For Obsolete Store / Claim	30.45	25.18
Bad Debts Written Off	11.52	90.37
Professional & Consultancy Charges	60.62	58.45
Internet Charges	413.60	387.83
Loss On Sale Of Assets	181.82	100.90
Loss Of Assets (Other Than On Sale)	202.26	169.23
Spectrum Charges (Wll)	2.37	8.61
Spectrum Charges (Ms)	398.25	329.36
Donation	0.00	0.00
Interest On Customer's Deposits	4.11	4.70
Provision For Doubtful Advances	16.54	8.07
Miscellaneous Expenses	813.00	1169.19
Total	**9080.76**	**9755.40**
Less:		
Allocation To Capital Work In Progress	613.60	285.30
Total	**8467.16**	**9470.10**

NOTE - 29A

DEPRECIATION & AMORTIZATION EXPENSES

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Depreciation	8721.70	7859.61
Amortization 3G Spectrum	3282.00	3282.00
Amortization BWA Spectrum	3022.65	3022.64
Amortization other intangibles	78.94	64.98
Total	**15,105.28**	**14,229.23**

NOTE - 30A

FINANCE COST

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
INTEREST ON LOAN	9491.62	4514.76
INTEREST TO OTHERS	8.23	14.65
Total	**9499.85**	**4529.41**

NOTE - 31A

INCOME TAX EXPENSE

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Current Tax	13.07	9.87
Deferred Tax	(6.43)	26.50
Taxes Of Earlier Period Paid/ Written Back	0.37	291.37
Total	**7.01**	**327.74**

NOTE - 32A

PRIOR PERIOD ITEMS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
PRIOR PERIOD ITEMS (DEBIT)		
Repair To Buildings & Others	2.08	0.00
Depreciation	147.37	10.16
Others	9.08	(25.81)
Less:-		
PRIOR PERIOD ITEMS (CREDIT)		
Income From Telephone	(0.83)	0.00
Excess Provision Written Back (Income Tax)	8.10	0.00
Interest On Income Tax Refund	(471.03)	0.00
Others	(27.90)	0.00
NET	**650.18**	**(15.65)**

NOTE - 33A

EARNINGS PER SHARE

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Basic	(65.15)	(44.40)
Diluted	(65.15)	(44.40)

NOTE - 34A

PAYMENS TO STATUTORY AUDITORS (Disclosure Note only)

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
a. As Auditor	3.09	3.09
b. For Taxation Matters	0.67	0.67
c. For Company Law Matters	0.00	0.00
d. For Management Services	0.00	0.00
e. For Other Services	2.47	2.47
f. For Reimbursement of Expenses	0.96	2.48
TOTAL	**7.20**	**8.72**

NOTE - 38A

EXCEPTIONAL ITEMS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Others	2.26	0.00
TOTAL	**2.26**	**0.00**

NOTE - 39A

EXTRAORDINARY ITEMS

	As at 31.3.2012 (₹ in Million)	As at 31.3.2011 (₹ in Million)
Attachment of Property	0.00	0.00
Loss due to Earthquake	0.00	0.00
Others	0.00	0.00
TOTAL	**0.00**	**0.00**

Note 40 A:

NOTES TO ACCOUNTS TO CONSOLIDATED FINANCIAL STATEMENTS

Para 1 Principles of Consolidation

The consolidated financial statements relate to Mahanagar Telephone Nigam Limited ('the Company') and its subsidiary companies and joint ventures. The consolidated financial statements have been prepared on the following basis:

a) The financial statements of the Company and its subsidiary companies are amalgamated on a line-by-line basis by adding together the book value of like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Accounting Standard (AS) 21 - "Consolidated Financial Statements".

b) Interest in Joint Ventures has been accounted for by using the proportionate consolidation method as per Accounting Standard (AS) 27 - "Financial Reporting of Interest in Joint Ventures".

c) In the foreign subsidiaries, being non-integral foreign operations, revenue items are consolidated at the closing rate prevailing at the end of the year. All assets and liabilities are converted at rates prevailing at the end of the year. Any exchange difference arising on consolidation is recognized as surplus or otherwise.

d) As far as possible, the consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's standalone financial statements.

Para 2 Investments other than in subsidiaries and JVs have been accounted as per Accounting Standard (AS) 13 on "Accounting for Investments:.

Para 3 The Note to Accounts of the standalone financial statements of the company are considered material for Consolidated Financial Statements as well, therefore, they are not being reproduced with the consolidated financial statements (Refer Note 40 to Standalone Financial Statements).

(S.R. Sayal)	**(Naresh Kumar)**	**(Anita Soni)**	**(A.K. Garg)**
Company Secretary	**DGM(A/cs)**	**Director (Fin.)**	**Chairman & Managing Director**

For Bansal Sinha & Co.
Chartered Accountants
FRN No.006184N

Ravinder Khullar
(Partner)
Membership No. 082928

For Arun K.Agarwal & Associates
Chartered Accountants
FRN No. 003917N

Rajesh Surolia
(Partner)
Membership No.088008

Place : New Delhi

Date : 30th June, 2012

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Annexure-I

Consolidated Cash Flow Statement for the year ended 31st March 2012

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

		2011-12 (₹in Million)	2010-11 (₹ in Million)
A.	**Cash Flow from Operating Activities**		
	Net profit before Tax	**(40384.31)**	**(27655.30)**
	Adjustment for:		
	Prior period adjustment (net)	(502.81)	(259.58)
	Profit on sale of fixed assets	(35.97)	(25.79)
	Loss on sale of fixed assets	181.82	99.69
	Depreciation & Amortisation	15105.28	14229.23
	Interest Cost	9499.85	4534.11
	Interest Income	(736.08)	(1927.46)
	Operating cash profit/ (loss) before working capital changes	**(16872.21)**	**(11005.10)**
	Adjustment for:		
	Trade and other receivables	(4,538.19)	7,990.25
	Inventories	241.89	329.93
	Trade and other payables	13,501.97	(104,753.08)
	Cash generated from operations	(7666.54)	(107,438.01)
	Direct Taxes paid/adjusted (Net)	570.60	(2,370.12)
	Net Cash Flow from Operating Activities	**(7,095.94)**	**(109,808.13)**
B.	**Cash Flow from Investing Activities**		
	Purchase of fixed assets (including capital W.I.P.)	(7,530.85)	(12,663.28)
	Sale of Fixed Assets	220.20	905.89
	Interest received	1,209.93	3,815.57
	Investment	0.00	148.79
	Net Cash Flow from Investing Activities	**(6100.72)**	**(7,793.03)**
C.	**Cash Flow from Financing Activities**		
	Proceeds from borrowings	21,834.65	74,500.76
	Interest paid on borrowings	(9,075.59)	(4,209.28)
	Raising of Share Capital	(0.00)	178.28
	Net Cash Flow from Financing Activities	**12,759.07**	**70,469.76**
D.	**Net Increase/Decrease in Cash and Cash Equivalents**	**(437.59)**	**(47131.40)**
	Cash and Cash equivalent as at the beginning of the year	1,778.86	48,910.26
	Cash and cash equivalent as at the end of the year	**1341.27**	**1,778.86**
	Cash and cash equivalient as at the end of year represented by		
	Cash in hand (including cheques/drafts in hand)	58.27	95.24
	Balance with bank in current account (net of provisions)	845.38	182.19
	Balance with bank in Fixed Deposit account	437.62	501.43
	TOTAL	**1341.27**	**1778.86**

Note:

Previous year figures have been regrouped/rearranged wherever necessary

For Bansal Sinha & Co.	For Arun K. Agarwal & Associates	(S.R. Sayal)	(Naresh Kumar)
Chartered Accountants	Chartered Accountants	(Co. Secy)	DGM (Accounts)
FRN: 06184N	FRN: 003917N		
sd/-	sd/-	sd/-	sd-
(Ravinder Khullar)	**(Rajesh Surolia)**	**(Anita Soni)**	**(A.K.Garg)**
(Partner)	(Partner)	Director	Chaiman & Managing Director
M.No. 082928	M.No. 088008		

Place : New Delhi

Date : 30th June, 2012

MTNL

ANNEXURE TO DIRECTOR'S REPORT

Addendum to Director's to Auditors report with regard to Qualifications for the year 2011-12

Replies of Management to Auditors Report with regard to Qualifications for the year 2011-12

Auditors Report	Reply of the Management
1. Point No.6 (a) to Note No. 40 regarding deduction under section 80IA of the Income Tax Act claimed by the company of which 75% has already been allowed up to Tribunal level and the company has preferred an appeal for the remaining 25% with the High Court .The company is maintaining a provision for income tax amounting to ₹4003.31 millions for the years 1997-98 to 1999-2000 on this account whereas the similar claims for subsequent years involving a tax liability of ₹3948.46 Millions have been shown as Contingent Liability. 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 requirement of the provision or contingency held in this regard.	The matter is pending before High Court and will be settled accordingly on final judgment. A Tax Liability of 3948.46 millions has been provided via creating a contingency reserve of the similar amount from a charge to profit and loss account. Therefore there is adequate provision for accounting adjustments on the final outcome of the litigation.
2. Point No. 6 (b) to Note No. 40 regarding accounting of appeal effect of ₹1015.43 millions including accrued Interest of ₹412.04 millions (₹ 101.86 Millions for the year) as recoverable is subject to adjustment as per the final orders to be passed by the Income Tax Department. Besides, the balances appearing in Advance Tax, Provisions for Income Tax	The matter is pending before various judicial authorities. Necessary adjustments shall be passed on receipt of the final orders from Income Tax Department.

and Interest on income Tax Refund are subject to reconciliation with the figures of the Income Tax Department.

3. Points No.11 & 14 to Note No.40 regarding the amounts recoverable from BSNL/DOT 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.	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. Similarly the claims with D.O.T. are taken up at apex level and settlement by DOT is expected early.
4. Point No. 1(k) of Note 40 regarding disclosure of contingent liability of ₹ 1403.63 Million instead of actual provision on account of License Fee to the DOT which 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.	The issue of revenue sharing with BSNL is under correspondence with DOT as the IUC settlement with BSNL is being done on netting basis between these two P.S.U.s which are under the same Ministry. As the issue was already taken up with D.O.T contingent liability has been disclosed based on the assurance given to Govt. Audit last year as well as per assurance to CAG in Phase-I audit of 2011-12 on 24.1.12 .The present status is that as per DOT's directions the matter is taken up with CCA and action shall be taken on final conclusion on this aspect. Adding to this, the netting based adjustment with BSNL is virtually a settlement not requiring MTNL any disclosure of contingent liability but considering the above factual position of the issue being under correspondence with DOT, which is not only the administrative ministry but also is the holder of share capital with full control of both the companies on behalf of Govt. of India and also assurance given to CAG, the contingent liability is disclosed and therefore the calculation of AGR is factual and correct. Besides, there is no impact on the profitability of the company.

5. The company has allocated the establishment overheads as per Note 25 and Administrative overheads as per Note 28.The company's policy in this regard needs to be made more scientific and the same should avoid capitalizing the loss due to idle time of labour and machines.	As per 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 consultation from Cost Consultant, recommended by a Technical committee and approved by the Board. However in the year 2012-13 the policy and methodology is being reviewed to make it more scientific to the extent possible with in the given circumstances and the legacy of labour cost inherited by MTNL.
6. Point No.32 of Note No. 40 regarding no impairment adjustment required to the carrying value of the fixed assets as at 31 March 2012. In our view, due to recurring losses incurred by the Company and uncertainty in the achievement of projections made by the Company, we are unable to comment on the provisions, if any, required in respect of impairment of carrying value of the fixed assets (including capital work in progress), other than land, and its consequential impact, if any, on the loss for the year, accumulated balance in the Profit and Loss Account and the carrying value of the fixed assets as at 31 March 2012.	No indication exists at the balance sheet date that any asset is impaired and the projections are made based on the approved 5 year plans of growth and also the MOU projections. Therefore there is no impact on this count and as regards the carrying value of the lands, the considerable appreciation in their value is also not taken into the account in order to be on a most conservative basis, even though with the considerable appreciation in their value, the overall excess over the carrying value of the assets on entity level CGU could further enhance. As such there is no impact in this regard.
7. Point No.27 (ii) of Note No.40 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	The parameters are as reviewed by a professional actuarial agency taking into account the approval of Audit committee and Board of MTNL and also the possible indicators presented by company and as the Actuary agency has not suggested any change during this year after such review, the same is, hence, accounted for accordingly.

8. Point No. 28 of Note No. 40 regarding Non provision of actuarial liability on account of medical expenses for retired employees and continuing employees as the Insurance policy has been taken by the company and yearly premium is only charged.	Medical claim insurance policy has been taken for retired employees/ pensioners as well as for continuing employees and as no risk accrues to MTNL, it is therefore treated as defined contribution plan as per AS 15 (R) and accounting has been done accordingly. The policy for retired /continuing employees/ recruits is being taken every year adding the new retirees and therefore there is no further provision required as the policy covers all the retired/recruited employees on a continual basis and therefore there is no further need for any other provision.
9. Insurance claim for the fire loss in Data Center in July, 2009 amounting to ₹ 40 Millions has been considered as good despite of the same being still pending with the Insurance Company.	The claim is good and tenable fully and the settlement is under active pursuance under the provisions of the insurance regulations.
10. Accounting Policy No.2 (iv) regarding valuation of scrapped/ decommissioned assets which are not being revalued every year.	The materials of telecom sector are esoteric in usage and industry specific and therefore do not have any general or open market to assess the revaluation or net realizable value and therefore the accounting policy is made to account for the estimated loss upon scrapping, while the further adjustment of any further loss or profit, if any, made at the time of actual sale, as revaluation in every year is not feasible.
11. Accounting Policy No. 1(ii)(b) regarding exclusion of dues from operators for making provision for Doubtful debts and non provision of disputed cases which are outstanding for less than three years in Basic and less than six months in wireless services.	The dues of other operators are not to be provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and are also governed by the regulations of the regime. As such the treatment given to normal debtors can not be applied. As such the policy is made in the back drop of the legal and regulatory grounds. Besides there are ongoing transactions with most of them and reconciliation is an ongoing process. As such the policy is in order.

12. Point No. 22 of Note No. 40 regarding non valuation of vacant land and Guest Houses/Inspection quarters at fair market value as at the year end for the purpose of wealth tax provisions	The properties have been acquired by the company for its use, hence the same were valued at cost
13. Point No.18 of Note No.40 regarding non confirmation and reconciliation of amounts receivable and payable from various parties.	The reconciliation is in process. Necessary adjustments entries, if any, shall be passed on reconciliation.
14. Point No.14(b) regarding balance in subscriber's deposits account of ₹ 6588.81 Million, unlinked receipts from subscribers ₹.412.60 Million are subject to reconciliation. Balance of sundry debtors as per Ageing Summary is short by ₹ 94.70 Million with comparison to balance is general ledger though the same has been fully provided for (Refer Note No. 14(c)). The reconciliation of metered and billed calls in various units and leased, operational and billed circuits is in process. 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 in Delhi unit and in Mumbai unit the same is completed in 2011-12 and the subsequent action to decide about the excess over the reconciled balances is under process.
15. The matching of Billings for roaming receivables/payable with the actual traffic intimated by the MACH is not being made and the amounts received are allocated on estimated basis. The impact thereof, on profitability ,if any, is unascertainable.	Amounts received with reference to the settlements made by the firm "MACH" are allocated on regular basis and the firm M/S MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency for around 650 operators. Invoice by clearing house is considered to be a final document by all sides. There is no convention in GSM settlement to obtain such confirmation. Neither other parties have asked us to certify their claims. However the process of reconciliation goes on a continuous and perennial basis throughout and hence there is no impact that could be ascertained at this stage of balance sheet date.

16. 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 and WIP review is also done in the year 2011-12 and is continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP.
17. Point No.23 of Note No. 40 regarding provision for ADCC recoverable from Project Development Company amounting to ₹ 91.25 Million and non accounting of interest thereon in absence of explicit agreement to that effect.	The issue is under review by the management and further appropriate action shall be taken in the year 2012-13.
18. Point No. 34 of Note No. 40 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.	The opinions hold good as there is no further move from IT dept. on the basis of judgment of S.C. and as regards pension issue also there is no further change in the status of the commitment on payment of pension by govt. and therefore any further review shall be made on these issues in 2012-13.
19. The Company had accounted for ₹ 2850.00 millions towards wet lease for infrastructure and other services provided in respect of Commonwealth Games during the year 2010-11 of which ₹.430 millions is subject to acceptance and final settlement	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 which is yet to be paid by O.C., CWG. Therefore there is no non acceptance at all of the amount agreed to be paid and final settlement is however pending due to the circumstances not in the control of the company and due to constant ongoing pursuance, the settlement is expected early.
20. The reconciliation of Income from Recharge Coupons, ITC Cards, Prepaid calling cards and stock of recharge coupons and leased circuits is not available for our verification	The income on the recharge coupons, prepaid calling cards etc. is booked on sale and at the end of accounting period the unspent value of talk time is taken as advance income to that extent and appropriate accounting is done and as regards the stock, relevant records are available. Leased circuits reconciliation is under progress.

21. No service tax is being charged on the revenue sharing with BSNL for inward circuits for which no bills are being raised.	The inward circuits are billed by BSNL and service tax is paid by BSNL and in case of circuits where billing is entrusted to MTNL or being done by MTNL the tax is paid by MTNL. The sharing of revenue is out of such tax paid amounts and accounted for accordingly.
22. The material sent to BSNL on barter basis, the VAT liability on this account has not been ascertained and provided for.	The materials sent to BSNL are those not required for regular consumption in MTNL jurisdiction and are in general use in BSNL wider areas. There is no sale or deemed sale contemplated by both the PSUs and the facilitation of materials is done rarely and only in cases where such items are not in regular use in MTNL. Similarly BSNL also agrees to facilitate MTNL with required materials against such materials sent by MTNL. Therefore the liability on VAT does not arise since there is no actual or deemed sale except facilitation between both the PSUs.
23. Point No 26 of Note No 40 regarding the requisite information & details for the identification of Micro, Small & Medium enterprises as such we are unable to comment upon the compliance of section 15 & 22 of the Micro Small & Medium Enterprises Development Act-2006.	The disclosure in notes is self explanatory and discloses fully.
24. 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 imported and indigenous stores and spares and Percentage to the total consumption.	There is need to disclose about raw materials, spares and components only but not for stores and the disclosure also applies generally to manufacturing companies only as per revised schedule VI .

ii) The classification of Trade Receivable as unsecured without considering the security deposit that the company has received from subscribers.	The amount of security deposit is under reconciliation at Delhi Unit and Mumbai unit has reconciled the deposits this year. The presentation of trade receivable is done as per Sch VI (revised) except that the secured and unsecured bifurcation is not made in view of the on going reconciliation. Besides the reconciled deposits of Mumbai unit are to be considered for such depiction on taking a considered management decision on all aspects. As such the disclosure could not be made. However the note 40 in point 14(b) the disclosure is made in view of on going reconciliation at Delhi. The disclosure under note 19 is however added about the security deposit balances outstanding as security.
iii) Trade Receivable figures outstanding for more than six months and up to six months are ascertained by the management and relied upon by the auditors.	The same is a statement of fact and the ascertainment is done as per the ongoing and usual procedures only.
iv) The Land and Buildings transferred from DOT have been classified as Leasehold as there was no breakup is available.	The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL.
v) The bifurcation of assets and liabilities into Current and Non Current has been made by the company as per their own assessment of their recoverability and likely payments. In absence of any scientific basis, we are unable to comment on the same.	In the disclosure in point 3 in Note 40 management made it clear that the same is done on best judgment basis in consonance with the operating cycle of MTNL.
vi) Classification of amount recoverable from BSNL as loan & advances instead of Trade Receivable.	This issue will be reviewed in the year 2012-13.

vii) The reclassification of previous year figures to make it comparable with the revised schedule VI requirements have made by the management as per their assessment and relied upon by us.	In the disclosure in point 3 in Note 40 management made it clear the previous year figures have been regrouped on judgmental basis and reclassified them in accordance with requirements applicable in current year.

MTNL

Confidential Rep-Comml/F-20/Ann.Acts/MTNL/2011-12/Vol-II

सत्यमेव जयते

क्रमांक ....

No.

कार्यालय

महानिदेशक लेखापरीक्षा, डाक व दूरसंचार

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

OFFICE OF THE

Director General of Audit, Post & Telecommunications

Sham Nath Marg, (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 2012.

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 2012 for information and further necessary action.

Kindly acknowledge receipt.

Yours faithfully,

Sd/
(Revathi Bedi)
Director General of Audit (P&T)

Sd/
Encl(s): As above

MTNL

No. Rep-Comml./F-20/Ann.Acts/MTNL/2011-12/Vol-II/ Dated: 09-08-2012

Copy along with enclosure forwarded to the Principal Director (Defence & Communications), O/o the C&AG of India, New Delhi, with reference to Headquarters office letter No. Def & Comm./ A/cs/MTNL/11-12/03-2012/3 dated 09 August 2012 for information. Facts and figures mentioned in the approved comment have been verified and since the head License fees (Note No.27) referred to in the comment is coming under Profit and loss account the same has been added before the comment before issue of the same to the Management.

(Gauri Karol)
Director (Report)

Encl(s): - As above.

Comments of the Comptroller & Auditor General of India under Section 619(4) of the Companies Act, 1956 on the annual accounts of Mahanagar Telephone Nigam Limited for the year ended 31 March 2012.

The preparation of financial statements of Mahanagar Telephone Nigam Limited (MTNL), for the year ended 31 March 2012 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 2012.

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 2012. 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 matters under Section 619(4) of the Companies Act, 1956 which have come to my attention and which in my view are necessary for enabling a better understanding of the financial statements and the related Audit Report.

Comments on Profitability

1. License Fees (Note No.27): ₹ 2,389.14 Million

MTNL was accounting License Fee after allowing prescribed deductions, inter alia, interconnection usage charges payable to BSNL on accrual basis based on Telecom Disputes Settlement Appellate Tribunal's (TDSAT) order dated 30 August 2007 instead of on actual payment basis as prescribed in the license agreement. The Honorable Supreme Court has since set aside (October, 2011) the TDSAT order; Department of Telecommunications (DOT) had also issued (November, 2011) instructions to all licensees accordingly. However MTNL continued to erroneously calculate the License Fee payable on accrual basis and disclosed as Contingent Liability of ₹ 1403.63 Million in the Notes to Accounts (Item No. 15).

After the clarification of DOT, MTNL is required to calculate its License Fee liability after claiming deductions on payments actually confirmed by BSNL. In the absence of reconciliation of balances between MTNL and BSNL as indicated in the Statutory Auditors qualification No. 4(c) read with detailed note at item No. 11 of Notes to Accounts, the understatement of the License Fee and Other Current Liabilities and consequently the understatement of Loss for the year of MTNL cannot be quantified.

For and on the behalf of the

Comptroller and Auditor General of India

Sd/-

(Revathi Bedi)

Principal Director of Audit (P&T)

Place: Delhi

Date: 09 August, 2012

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 2012 and Management's Replies thereon.

Comments of CAG of India

~~Comments on Profitability~~

I. License Fees (Note No.27): ₹2,389.14 Million

1. MTNL was accounting License Fee after allowing prescribed deductions, inter alia, interconnection usage charges payable to BSNL on accrual basis based on Telecom Disputes Settlement Appellate Tribunal's (TDSAT) order dated 30 August 2007 instead of on actual payment basis as prescribed in the license agreement. The Honorable Supreme Court has since set aside (October, 2011) the TDSAT order; Department of Telecommunications (DOT) had also issued (November, 2011) instructions to all licensees accordingly. However MTNL continued to erroneously calculate the License Fee payable on accrual basis and disclosed as Contingent Liability of ` 1403.60 Million in the Notes to Accounts (Item No. 15).

   After the clarification of DOT, MTNL is required to calculate its License Fee liability after claiming deductions on payments actually confirmed by BSNL. In the absence of reconciliation of balances between MTNL and BSNL as indicated in the Statutory Auditors qualification No. 4(c) read with detailed note at item No. 11 of Notes to

The Management reply

1. MTNL is accounting for License fee, taking all elements of Gross Revenue as prescribed by DOT and making adjustment of the necessary items as per policy. In the case of BSNL, which is a PSU under the same Ministry, the revenue sharing with BSNL on netting basis is considered as payment by adjustment since these two telecom PSU's under the same Ministry are netting the dues against each other. The issue was already taken up with D.O.T to consider the same. As per DOT directions the issue is now to be taken up with CCA, Delhi.
2. Besides it is to clarify with reference to the comment, that MTNL was not accounting license fee based on TDSAT order dated 30.8.2007 at any point of time nor did MTNL contest the issue legally. MTNL is not a party to the litigation against the Govt. and has not stopped sending any details to DOT, which has been mentioned in DOT letter dated 30-11-2011 about some service providers/ licensees, and therefore, the said letter of D.O.T., issued in the specific context of TDSAT /Supreme Court Judgment which involved not only actual payment basis but also other issues, does not bring M.T.N.L. into the canopy of last opportunity being given by D.O.T to telecom service providers referred in para 5 of DOT letter referred above to submit details. As such it is further clarified that MTNL neither acted on TDSAT order nor

Accounts, the understatement of the License Fee and Other Current Liabilities and consequently the understatement of Loss for the year of MTNL cannot be quantified.

calculated erroneously the license fee payable w.r.t. TDSAT order either before or after the date of order.

3. Since the issue of consideration of BSNL payments on netting basis has already been informed and since IUC charges receivable from MTNL are already taken as incoming revenue by BSNL in their accounts each year and license fee has been paid by BSNL to DOT , the license fee can not be paid on the same revenue again by MTNL.

4. In view of the fact that reconciliation of balances between MTNL and BSNL is in hand and a committee was already constituted with representatives of both PSUs whose report is yet to be received. However this is being pursued in view of CAG's observation. In this meanwhile the status quo is continued in view of the facts enumerated above, treating the revenue sharing adjustment done on netting basis as payment made and hence there is no understatement of license fee and other current liability as well as loss for the year on account of IUC charges payable to BSNL. However observing abundant caution, the contingent liability in this regard is also created in the notes to accounts for the year 2011-12 as assured to CAG during the audit of accounts of 2010-11.

Sd/-
(Ravathi Bedi)
Director General of Audit(P&T)

Sd/-
(A.K.Garg)
Chairman & Managing Director

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	31^{st} March, 2012
3.	Extent of MTNL's interest in MTL at the end of financial year 2011-12	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 31^{st} March 2012	₹-1998290
	ii) For previous F.Y.s of MTL since it became subsidiary	₹22236078
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 31^{st} March 2012	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)	**(Naresh Kumar)**	**(Anita Soni)**	**(A.K.Garg)**
Company Secretary	DGM (Accounts)	Director (Finance)	Chairman & Managing Director

Place: New Delhi

Date: 13/7/2012

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, 2012
3.	Extent of MTNL's interest in MTML at the end of financial year 2011-12	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 2012	₹42269229
	b. For previous F.Y.s of MTML since it became subsidiary	₹(115444582)
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 2012	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)	**(Naresh Kumar)**	**(Anita Soni)**	**(Kuldip Singh)**
Company Secretary	DGM (Accounts)	Director (Finance)	Chairman & Managing Director

Place: New Delhi
Date: 13/7/2012

MILLENNIUM TELECOM LIMITED

(A wholly owned subsidiary of MTNL)

DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your company have pleasure in presenting the 12th Annual Report of your Company together with Statement of Accounts and Auditors Report for the period ended on 31st March, 2012 and report as under:

FINANCIAL PERFORMANCE OF THE COMPANY FOR THE FINANCIAL YEAR 2011-12

Your company has suffered a loss of ₹19,98,290/- for the year ended 31st March, 2012 as against Loss of ₹48,87,746 during the last year.

The company has earned other Income (Interest from Bank Fixed Deposit) amounting to ₹18,09,676/- as against last year's amount of ₹21,01,256 /-during the last year.

OPERATIONS HIGHLIGHTS

MTL was formed by MTNl as its wholly owned subsidiary company basically for providing internet and other value added services in the year 2000.During the year 2007-08 MTL had decided to undertake undersea cable laying project to have own undersea cable from India to Middle East with ultimate aim to extend upto USA. As per the directions of the DOT, BSNL was taken as 50% Joint Venture partner in the said project. However, during 2010-11 the Board had observed that, since the cost of laying cable was very high while the bandwidth prices had gone down.Accordingly, the Board decided not to undertake the said project. Later in the year 2011, the Board decided to undertake new activities alongwith BSNL but in 2012, the BSNL has withdrawn itself from the Joint Venture stating that since the Sub-marine cable project has been discontinued, there is no need to continue with the Joint Venture. Thus, as of now, MTL is a wholly owned subsidiary of MTNL. The Board of MTL has now decided to enter into new lines of business which could be telecom related as well as other areas. Some of the new lines of business could be Infrastructure sharing, Data Centre Outsourcing application including Web Hosting, Cloude Computing, Providing Turn Key Solution in response to various tenders in Central Government/State Governments/PSUs Banks/Private Corporates, etc. or directly on GFR basis, Marketing and Selling of digital signatures of MTNL, taking franchisee/distributorship of MTNL Mobile Products and SIM Cards of other operators.The Management is working on the above line of business and is hopeful to generate revenue in the years to come.

SHARE CAPITAL

The paid up Share Capital of the Company is ₹2,87,58,800/- (28,75,880 equity shares of ₹10/- each). All the shares are held by MTNL and its nominees.

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 31.03.2012.

DIRECTORS' RESPONSIBILITY STATEMENT

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

i. In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

ii. They selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the company for that period;

iii. They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities

iv. They have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION

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

FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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 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 Ashok Kumar Garg, was appointed as Nominee Director of BSNL on the Board of Director of the company on 31/05/2011 and ceased to be Nominee Director of BSNL on 29/02/2012. Consequent upon the appointment of Shri A.K.Garg as CMD MTNL, he was again appointed as Nominee Director of MTNL on the Board of Director of the company on 20/03/2012.

2) Shri. Kuldip Singh, was appointed as Nominee Director on 20.03.2012.

3) Shri. R. K. Agarwal, Nominee of BSNL ceased to be Director on 19.06.2012.

CHIEF OPERATING OFFICER

Shri N.K.Jain, GM (TF-CWG), MTNL (Delhi Unit) continues to be Operating Officer (COO) of the company

COMPLIANCE CERTIFICATE

The Compliance Certificate issued by M/s V.K.Sharma & Co., Company Secretaries relating to compliance 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 2012-13.

ACKNOWLEDGEMENT

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

For and on behalf of Board of Directors

(A.K.GARG)
CHAIRMAN & DIRECTOR

Place : New Delhi

Date : 18/08/2012

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 2012, 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 except that minute books and other statutory registers are maintained at Delhi Office instead of at Registered Office in Mumbai as required by law.

   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, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 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 2012;

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

Firm Registration No.105390W

DEEPAK KUBAL (M No 34078)

Partner

Mumbai

Annexure to the Auditors' Report

(i)

a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.

b) The fixed assets have been physically verified by the management during the year in accordance with a phased programme of verification which, in our opinion, is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such verification.

c) As per the information and explanation given to us on our enquiries the disposal of assets during the year was not substantial so as to have an impact on the operations of the company, or affect its going concern.

(ii) As the company is not dealing in any goods. Accordingly clause 4 (ii)(a) to (c) does not apply to the company.

(iii) As per the information given to us, the company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956 ('the Act').Accordingly, clauses (iii)(a)(b)(c) and (d) of paragraph 4 of the Order are not applicable to the Company.

e) The company has received unsecured interest free loan from its holding company MTNL, the outstanding balance as on 31st March, 2012 is ₹ 5252710/-. As per the explanations given to us by management, the company has maintained register under section 301 of the Companies Act, 1956 which is kept at Delhi office and not produced before us.

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

g) As the company has received unsecured interest free loan from its holding company MTNL, therefore there is no repayment schedule, no interest payable. These loans are payable on demand so there is no overdue amount.

iv In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and for the sale of goods. During the course of our audit, no major weakness has been noticed in the internal controls in these areas.

v

a. In our opinion and according to the information and explanations given to us, the contracts or arrangements, that needed to be entered into the register maintained under section 301 of the Companies Act, 1956 have been entered in the register and the register is maintained by the company at 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 Tax / Wealth 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
Firm Registration No.105390W

DEEPAK KUBAL (M No 34078)
Partner

Mumbai

Annexure-1

I I	Corporate Governance and Audit Committee	
1	Whether the Company been listed on the stock exchanges? (If yes, the names of the stock exchanges may please be indicated). If so, Whether the provisions of listing agreement of SEBI are being followed by the Company?	No
2	Whether the Company has 50 per cent independent directors on their Board as required under SEBI guidelines?	No
3	Whether the Company has formed an Audit Committee in compliance with Section 292A of the Companies Act, 1956. If not, please indicate the extent of non-compliance.	No
4	Whether Audit Committee has discussed the qualifications made in the Auditor's report as well as important comments and audit paras of Government Audit and has it given recommendations for taking appropriate corrective action in e next the next year's accounts?	Not Applicable
5	Whether the Audit Committee has examined the replies to paragraphs, mini reviews, sectoral reviews, comprehensive appraisals, etc included in various Audit reports of the C&AG before their submission to Government Audit / Committee on Public Undertakings?	Not Applicable
6	Whether the Audit Committee has reviewed and discussed with the management, and the internal and external auditors, the adequacy and effectiveness of the accounting and financial control, including the Company's financial and risk management policies?	Section 292A of the Companies Act 1956 is not applicable to MTL
7	Whether the BOD has reported in the Director's Report to the Shareholders compliance to their responsibility statement under Section 217 (2AA) of the Companies Act, 1956?	Not Applicable
8	Whether CEO/CFO certification has been obtained in terms of listing agreement?	MTL is unlisted subsidiary of MTNL. Therefore the Clauses of Listing Agreement are applicable.
II	**Business Risk**	
1	Comments on the following:-	
i	Any new Statutory or Regulatory requirement or change in Gov. policy that could impair the financial stability or profitability of the entity.	No

ii	Unusually rapid growth if any, especially compared with that of other companies in the same industry.	No
iii	The Process Used for identification of business risks and steps taken to mitigate it by the Management.	MTL is unlisted subsidiary of MTNL. Therefore the Clauses of Listing Agreement are applicable.
iv	Unrealistically aggressive sales or profitability incentive programs, if any.	No activities during the year.
v	The system of making a business plan, short term/long term & review of the same vis-à-vis the actual?	Yes
vi	The Capital expenditure/capital invested not put to use.	Not Applicable
vii	The cost benefits analysis of major capital expenditure/ expansion including IRR and pay back period.	Not Applicable
viii	The existence of Macro, Sector and Operation threats that could drive fundamental changes in business model, Indicate in brief.	Not Applicable
III	**Disinvestment (if applicable)**	
1	What is the mode of disinvestment (i.e., trade sale or management and employees buy out or mass privatization or public auction or flotation or liquidation or private placement).	Not Applicable
2	What is the present stage of disinvestment process?	Not Applicable
3	If the Company has been selected for disinvestment, please report:	Not Applicable
a	Has the Company accounted for all its assets (including intangible assets), liabilities income and expenditure as per the requirement of relevant Accounting Standards (AS) and nothing is left out of books?	Not applicable
b	Whether the assets of the company especially land, valued at nominal cost has been revalued keeping in view the market rate for consideration of the net worth of the Company for the purpose of sale?	Not applicable
c	Whether the committed reserves and general reserves created over the years are disclosed distinctly? If utilization of general reserves is substantial, specify the conditions of utilization. and whether these conditions covered under the byelaws/Articles of the Company and provisions of the Companies Act, 1956?	Yes Not applicable

d	Whether any investment has been made by the Company during the process of disinvestment? If so, whether such investment were in the interests of the Company or did they have the effect of extending undue advantage to the Bidders.	Not applicable
IV	**System of Account & Financial Control**	
1	Whether the allocation of duties and responsibilities, including the delegation Powers at various levels of Management is fair /proper/justifiable and the same have been adequately defined?	Yes
2	Examine the systems of accounts and financial control being followed by the Company and give your views as regard to their deficiencies along with suggestions for remedial measures.	Not Applicable
3	Please report which of the accounting policies adopted by the Company are not in conformity with the accounting policies applicable to the industry/companies in the same sector, particularly the Government Companies. What is the impact of such policies on the accounts?	None
4	Notes to Accounts, qualification in Auditor's Report and comments of the C&AG may be reviewed for the last 3 years and state whether the Management has taken rectificatory action?	Yes
5	Whether the Company has a clear credit policy, a policy for providing for doubtful debts, write offs and liquidated damages? Analyze the reasons (such as non-completion of performance tests, litigation, retention sale etc.) for significant sundry debtors and report thereon.	Not Applicable
6	Please report whether the system of giving discount to promote sales is fair? Whether the instructions issued for allowing discount are issued in writing and communicated properly to sales outlets?	No sales during the year. Hence not applicable.
7	Examine and indicate whether the Company has a system of monitoring the timely recovery of outstanding dues? Highlight the significant instances of failure of the system, if may.	No. Sundry Debtors - MTNL Are outstanding for more than 8 years. ₹13637395 Sundry debtors of Simla HD Sedl o/s for more than 8 years ₹.58200

8	What is the system of obtaining confirmation of balance from debtors/creditors and other parties? Indicate separately the amount of balances remained unconfirmed form Government Departments/PSU and Private parties and their percentage to total amount under each head.	No
9	Please report whether there are any cases of waiver of debts/ loans/interest etc.? If yes, please state the reasons therefore and the amount involved.	Not noticed during the year of audit.
10	Does there exits an adequate system of timely lodging of claims with outside parties? Are the claims monitored properly?	We are informed that there are no such claims. Hence not applicable
11	Whether the credit obtained (including overdrafts) is monitored regularly Please and the terms of loans are not such that they have a negative impact on the earnings of the Company. Examine the system of effective utilization of loans and the system of obtaining statutory benefit.	Unsecured interest free loan obtained from Holding company MTNL only but such terms are not specified
12	Whether any incidence involving improper use or wastage of fund was noticed.	No
13	Examine and comment upon the reasonableness of assumptions made by the Actuary in providing for employee benefit as per Accounting Standard 15.	No employees, hence not applicable.
14	Whether work flow and document flow is in place to ensure proper control and system commensurate with the delegation of work?	Yes
V	**Fraud/Risk**	
1	Whether the company has an effective and delineated fraud policy consistent with regulatory requirement as well as the entity's business needs?	No
2	Whether the company has formulated 'code of conduct' for senior management?	Not applicable
3	How the company has dealt with reported frauds and what are the remedial measures taken for preventing recurrence?	Not applicable
4	Are there any case of violation of delegated Financial Powers during the period under report, which warrants "in-depth audit "? If yes, please give a list of such cases.	No such case noticed. Hence not applicable

MTNL

5	Does the Company have separate Vigilance Department/Wing? To what extent is it effective in its duty and whether its reports are submitted to the Board?	No
6	Whether the Management has designed and put in place an adequate prevention and Detection Controls to prevent, reduce and discover the fraud and other irregularities?	Yes
7	Whether the Company has 'whistle blowing' policy?	No
8	Whether the fraud policy has been periodically reviewed and evaluated to determine whether it was designed and implemented to achieve optimal effectiveness?	Yes
VI	**Assets (including Inventory)**	
1	What is the position regarding maintenance of records such as fixed assets register, etc.?	Yes
2	Whether the Company has prescribed the following in regard to the management of stores:	Not Applicable
a	Maximum and minimum limits of stores and spares etc.	) Not Applicable))
b	Economic order quantity for procurement of stores.	)) Not Applicable)
3	Whether ABC analysis has been adopted to control the inventory? If not, impact on inventory may be analysed.	)) Not Applicable
4	Whether regulations made for the purpose of control over stores, including stock taking and valuation of stock, stores and work-in-progress at the end of the financial year Are adequate and duly enforced?	) Submarine) cable project is yet to be started. Hence no stock/)stores/spares held.)) Not Applicable)
5	Whether the work in progress contains any item, which has remained under work in progress for an unduly long time? Attach a list of such items including amount, period of pendency and reasons.	))) Not Applicable)

6	Examine and comment on the system of physical verification, valuation, treatment of non-moving and slow moving items, their disposal and abnormal excess and shortages in respect of closing stock items.	Not Applicable
7	Examine and comment on the system of valuation of fixed assets, survey-off procedure and provision for assets and specific capital spares surveyed-off.	Not Applicable
8	List out the surplus / obsolete / non-moving items of stores, raw material, finished goods lying unused at the end of last 3 years.	Not Applicable
9	Whether proper records maintained for inventories lying with the third parties and assets received as gift from the Government or other authorities?	Not Applicable
10	Are there any lapses in the internal control-system right from ordering till the consumption of stores? If yes, the same may be highlighted.	Not Applicable
11	List out the assets and 'Plant and Machinery' items, which have not been in use over a considerable period of time (say 5 years) and the reasons thereof	Not Applicable
12	Whether there are instances of huge losses incurred due to sale of goods at prices lower than the prevailing market prices, citing poor quality a reasons immediately subsequent to the balance sheet date?	No
13	Whether the norms for storage losses have been fixed? What is the basis on which storage losses are regularized? Indicate the abnormal storage losses suffered during the year under audit and amount realized there against.	No business activities during the year. Hence not applicable.
14	Demurrage/wharf age incurred during the year and reasons thereof	NIL
15	Whether the company has conducted physical verification of fixed Assets during the year and a formal report is being prepared for the same?	No
16	Whether there is a Policy to review and impairment of assets? present	No policy at
VII	**Investment**	
1	Whether the Company has laid down an investment policy duly approved by the competent Authority. If yes, please indicate the following:	No

a	Is it in accordance with the provisions of Section 292 of the Companies Act, 1956 and laws, rules and regulations, Government directives applicable to the Company?	No
b	Whether the investment made were judicious and in accordance with the investment policy?	No
d	Is the shortfall in market value of the current investment and permanent diminution in the value of long-term investments reflected in the books? If not, describe the failure.	No
2	Whether the deposits with bank/ financial institutions and others have been in accordance with laws, rules, regulations, Government directives etc. as applicable.	Yes
3	Whether there has been grant of large loans to or placement of deposits with other PSUs or enterprises not related with the business of the Company.	No
4	Whether the Company has significant investment in an industry or product line noted for rapid change?	No
5	Whether the investments, made in the subsidiaries, have been valued properly keeping in view the financial position of the subsidiary? If not, extent of diminution in the value of investment.	No such investment.
6	Whether any surplus funds are invested? Is there any effect on availability of funds for working capital because of investment leading to borrowings at higher rates?	Yes but no effect on working capital and no borrowings at higher rates.
7	How often market value is reviewed and whether profit are made on sale of investment?	Not Applicable
VIII	**Liabilities and Loans**	
1	Give the total amount of loan (including interest, penal interest and commitment charges, separately) where defaults were made in repayment as at the end of the accounting period.	₹. 5252710 Interest free loan from holding company Mahanagar Telephone Nigam Ltd. No Repayment schedule fixed
2	Whether guarantee fee payable to the Government of India as per terms of loan agreement has been accounted for properly	No

3	Whether any part or whole of the loans from Government and/ or interest accrued thereon have been either converted into equity waived by the Government. If so, its impact on the financial position of the Company.	No
4	Are the terms of loan agreement such that they make the entity especially vulnerable to changes in the interest rates?	Not Applicable
5	Check the loan profile of the Company to find out whether the high cost debts were swapped with low cost market borrowings.	Not Applicable
6	Whether there have been receipts of large loans from other PSUs or enterprises, not related with the business of the Company.	No such loan except from holding company MTNL
7	Whether any study was conducted to avail any other instruments or derivatives instead of high cost loan?	There are no interest bearing loan, hence not applicable
IX	**Award & Execution of Contracts**	
1	Whether Company has devised a proper system of tendering for awarding of various contracts?	Yes
2	Whether the Company has an efficient system for monitoring and adjusting advances to contractors/suppliers.	Yes
3	Whether the Company has settled all the issues, viz., performance guarantee (PG) tests, recovery of liquidity damages (LDs), final payments etc. soon after the commissioning of the Project? Are there any cases of inordinate delay without sufficient justification?	Project is yet to be started. Hence not applicable.
4	Whether there any disputes/claims unsettled for a long time?	No
5	What is the procedure followed by the Company for purchasing proprietary items? What is the procedure for ascertaining the authenticity of the propriety items certificate given by an official based on which tendering is not resorted to and goods are purchased from a particular supplier?	Not Applicable
X	**Costing System**	
1	Whether the Company has any cost policy?	
2	Are the cost accounts being reconciled with financial accounts?	Not Applicable
3	Whether the Company is computing the cost of major operations, jobs, products, processes and services regularly? If not, please describe the failures.	Not Applicable

4	Whether the Company has an effective system for identification of idle labour-hours and idle machine-hours?	Not Applicable
5	Was the cost audit ordered in the cases of the Company? If so, highlight the major deficiencies pointed out in the latest cost audit report.	No
6	Examine the accounting treatment of rejects and scraps for determination of cost of production. State the impact of bye products and joint products in determining costs.	Not Applicable
7	Whether there is any system to evaluate the abnormal losses and taking remedial measures to control such losses?	Yes
8	What is the method being followed by the company to charge overheads? How is the overhead rate being arrived at? In case of cost plus contracts, are the overheads being recovered completely or not?	Not Applicable
XI	**Internal Audit System**	
1	Whether the Company is having Internal Audit section manned by staff of their own or Whether the Company has hired the services of Chartered Accountants as Internal Auditors? Give your comments on the Internal Audit System stating whether its reporting status, scope of the work, level of competence, etc. are adequate? If not, describe the shortcoming thereof. Is there an adequate compliance mechanism on internal audit observations?	There is no internal audit System in view of no business activity.
2	Whether the internal audit standards/manuals/guidelines have been prescribed and they are in practice?	Not applicable
3	Whether the Internal Audit Reports were discussed by Audit Committee?	No internal audit. Hence Not Applicable
4	Whether internal audit is independent and reports directly to the Chairman/Head of the Company?	No internal audit. Hence Not Applicable
5	If internal audit is outsourced then whether the selection process is fair and transparent?	No internal audit. Hence Not Applicable
6	Whether entities, which are not under the jurisdiction of the professional institute, are being given the work of internal audit?	No internal audit. Hence Not Applicable
7	Does the Internal Audit report contain any serious irregularity, which needs immediate attention of management/Government?	No internal audit. Hence Not Applicable

8	What is the total impact of all shortcoming/deficiencies pointed out in the latest Internal Audit Report and pending for compliance as on date?	No internal audit. Hence Not Applicable
9	Whether mistake/shortcoming pointed out in the latest report is of the same kind/type as pointed out in earlier reports?	No internal audit. Hence Not Applicable
XII	**Legal/Arbitration Cases:**	
1	Number of pending legal/arbitration cases, including the age-wise analysis and reasons for their pendency.	There are no legal cases pending against the company
2	Details of new cases and cases settled during the year.	Not Applicable
3	Whether any norm or procedures exist /proposed to be laid down for large legal expenses (foreign and local) incurred / to be incurred.	With permission MTNL CO
4	Is there any system to ensure proper documentation (like maintaining minutes if the meetings, foreseeing contingencies, foreign exchange fluctuation etc) before Agreement with foreign parties as well as Indian parties?	There are no cases pending against foreign parties
XIII	**EDP Audit**	
1	Whether the Organization has an approved IT strategy or plan?	No
2	If the auditee has computerized its operations or part of it, assess and report how much of the data in the Company in electronic format. Which of the major areas, such as Financial Accounting, Sales Accounting, Personnel Information, Payroll, Materials / Inventory Management. Etc. has been computerized?	Final accounting only Computerized. In view of no employee & no business activities other areas are not Applicable.
3	Indicate how this impact on your work of auditing the accounts and whether your audit is through or around the computer.	Yes Since no business activities, data is small could be easily Audited.
4	Has the Company evolved proper security policy for Data/ software/ hardware?	No

5	Identify the areas in which the auditor is of the view that the built-in-checks in the computer environment are not adequate or were not being exercised with proper authority?	No
6	Comment on any problem faced in extracting information from computer files due to lack of backup of past records or due to record corruption. Is there a document retention policy?	No
7	Whether any software is unutilized or underutilized due to lack of trained staff or any proper operating manual/documentation etc?	Not Applicable
8	Comment whether changes made in software have the approval of management and the same has been documented properly and the lead time given to staff to get accustomed to it before making if fully operational?	Not Applicable
9	Whether the BOD is briefed regularly about the new IT Strategy, if any proposed to be incorporated for the Company as a whole, for which large funds are sanctioned. This is particularly relevant to organizations where the entire IT activity is to be made online in due course.	In view of no business activity No IT strategy/ User specific programme does not exists.
10	Whether the system department is responsible for both hiring/ buying EDP equipment Hardware & Software and also certifying their 'usability' before final payment (both functions should be separate with the user departments involved in the latter).	Not Applicable
11	Whether the company has detailed/comprehensive list of all report/statements which can be generated by the system in use?	Not Applicable
12	Whether there is an effective IT steering Committee?	Not Applicable
13	Whether there exists effective disaster recovery plan for EDP Department, which is periodically reviewed and evaluated?	Not Applicable
14	Whether any of the finding and recommendations noted in the EDP Audit Report was considered significant and whether the issues were satisfactorily resolved?	Not Applicable
XIV	**Environmental Management**	
	Compliance of the various Pollution Control Acts and impacts thereof and policy of the Company in this regard maybe checked and commented upon.	Not Applicable
XV	**Corporate Social Responsibility**	
1	How is the Company discharging its Corporate Social Responsibility?	Not Applicable

2	Whether any Board approved policy is in place and is being properly followed?	Not Applicable
3	Whether there is a system of fixation of targets for CSR activities?	Not Applicable
4	Whether adequate mentoring mechanism exits for implementation of CSR activities?	Not Applicable
XVI	**General**	
1	Indicate whether the Company has entered into a Memorandum of Understanding (MOU) with its administrative Ministry? If yes, have the targets in MOU been split unit-wise? If so, attach a unit-wise statement of targets and achievements against the parameters in MOU.	No
2	Whether contribution of employer and employee to Provident Fund is kept separately out of business and proper safeguard of the same is taken care of?	Not Applicable
3	Does the Company present a case for energy audit? If yes, has the audit been conducted by a specialized agency?	No
4	Where land acquisitions is involved in setting up new projects an enquiry as to whether settlement of dues and rehabilitation of those affected are being done expeditiously and in a transparent manner to ensure that the benefits go to the really affected people and is not diverted to agents an intermediaries including political parties.	Not Applicable
5	Whether the Company has done any mergers and acquisition during the year? Whether a through need analysis was done before Merger or Acquisition? Whether shareholders acceptance was taken before decision on merger/acquisition was arrived at? What was the impact thereof on the profitability of the Company?	Not Applicable

For D. N. KUBAL & CO.
Chartered Accountants
Firm Registration No.105390W

DEEPAK KUBAL
(M No 34078)

Partner

Auditors Signature

Date : 19/06/2012

~~COMPLIANCE CERTIFICATE~~

We have conducted the audit of accounts of **Millennium Telecom Limited, Mumbai** for the year Ended 31.3.2012 in accordance with the directions/sub-directions issued by the C&AG of India Under Section 619 (3) (a) of the Companies Act, 1956 and certify that we have complied with all the Directions/sub-directions issued to us.

For M/s D. N. KUBAL & CO.
Chartered Accountants
Firm Registration No.105390W

DEEPAK KUBAL
(M No 34078)

Partner

Auditors Signature

Date: 19/06/2012

Direction under Section 619(3) (a) of the Companies Act, 1956 issued by the Comptroller and Auditor General of India to the Statutory/Branch Auditors of MTL for conducting audit of accounts for the year 2011-12

(List of indicative questions under these heads is given as Annexure-I, which may be retained by the auditor as working papers)

Based on your audit of the enterprise, please give your impression/comments on the following areas:

(I) Corporate Governance and Audit Committee

(II) Business risk

(III) Disinvestment (if applicable)

(IV) System of Accounts & Financial Control

(V) Fraud/Risk

(VI) Assets (Including Inventory)

(VII) Investment

(VIII) Liabilities and Loans

(IX) Award and Execution of Contracts

(X) Costing System

(XI) Internal Audit System

(XII) Legal/Arbitration cases

(XIII) EDP Audit

(XIV) Environmental management

(XV) Corporate Social Responsibility

(XVI) General

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MILLENNIUM TELECOM LIMITED

BALANCE SHEET AS AT 31st MARCH 2012

	NOTE NO.	AS AT 31.03.2012 (₹)	AS AT 31.03.2011 (₹)
I. SOURCES OF FUNDS :			
1. SHAREHOLDERS' FUNDS			
(a) Share Capital	**3**	28,758,800	28,758,800
(b) Reserves & Surplus	**4**	21,292,969	23,291,259
		50,051,769	**52,050,059**
3. Non-current liabilities			
(a) Deferred tax liabilities (net)	**20.3**	34,965	80,181
		34,965	**80,181**
4. Current liabilities			
(a) Short-term borrowings	5	5,252,710	1,819,246
(b) Trade payables	6	2,704,861	2,696,827
(c) Other current liabilities	7	4,936,690	4,931,602
		12,894,261	9,447,675
		62,980,995	**61,577,915**
B. ASSETS			
1 Non-current assets			
(a) Fixed assets			
(i) Tangible assets	8.A	514,040	730,729
		514,040	**730,729**
(b) Long-term loans and advances	9	14,208,304	7,356,209
(c) Other non-current assets	10	9,056,800	11,321,000
		23,265,104	**18,677,209**
2 . Current assets			
(a) Trade receivables	11	13,637,395	13,695,595
(b) Cash and cash equivalents	12	25,387,873	24,539,900
(c) Short-term loans and advances	13	176,583	176,583
(d) Other current assets	14	-	3,757,899
		39,201,851	**42,169,977**
TOTAL		**62,980,995**	**61,577,915**
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	**1, 2, 19 to 21**		

as per our report attached

For M/s D. N. KUBAL & CO.
Chartered Accountants
Firm's Registration No.: 105390W

Mr. DEEPAK KUBAL
Partner
Membership No. 034078

for and on behalf of the Board of Director

Sd/-	**Sd/-**
(A. K. Garg)	**(Anita Soni)**
Chairman & Director	**Director**
Sd/-	**Sd/-**
(N.K. Jain)	**(S.R. Sayal)**
Chief Operation Officer	**Company Secretary**

Place : Mumbai
Date : 19/06/2012

MTNL

MILLENNIUM TELECOM LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH 2012

	NOTE NO.	FOR THE YEAR ENDED 31.03.2012 (₹)	FOR THE YEAR ENDED 31.03.2011 (₹)
1 Other income	15	1,809,676	2,101,256
2 **Total revenue (1+2)**		**1,809,676**	**2,101,256**
3 **Expenses**			
(a) Finance costs	16	2,588	1,200
(b) Depreciation and amortisation expense	8.B	216,689	237,687
(c) Other expenses	17	634,138	219,745
Total expenses		**853,415**	**458,632**
4 **Profit / (Loss) before exceptional items and tax (2 - 3)**		**956,261**	**1,642,624**
5 Exceptional items	18	2,264,200	-
6 Profit / (Loss) before tax (7 + 8)		**(1,307,939)**	**1,642,624**
7 **Tax expense**:			
(a) Current tax expense for current year		367,000	590,000
(b) Current tax expense relating to prior years		368,567	5,983,525
(c) Net current tax expense		735,567	6,573,525
(d) Deferred tax		(45,216)	(43,155)
		690,351	6,530,370
8 Profit / (Loss) for the year (11 + 13)		**(1,998,290)**	**(4,887,746)**
9.i Earnings per share (Before Exceptional item) (of ₹10/- each) :			
(a) Basic		0.09	(1.70)
(b) Diluted		0.09	(1.70)
9.ii Earnings per share (After Exceptional item) (of ₹10/- each):			
(a) Basic		(0.69)	(1.70)
(b) Diluted		(0.69)	(1.70)
Number of shares used in computing earnings per share			
(a) Basic		2,875,880	2,875,880
(b) Diluted		2,875,880	2,875,880
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS	**1, 2, 19 to 21**		

as per our report attached

For M/s D. N. KUBAL & CO.
Chartered Accountants
Firm's Registration No.: 105390W

Mr. DEEPAK KUBAL
Partner
Membership No. 034078

for and on behalf of the Board of Director

Sd/-	Sd/-
(A. K. Garg)	**(Anita Soni)**
Chairman & Director	**Director**
Sd/-	**Sd/-**
(N.K. Jain)	**(S.R. Sayal)**
Chief Operation Officer	**Company Secretary**

Place : Mumbai
Date : 19/06/2012

MILLENNIUM TELECOM LIMITED

Notes forming part of the financial statements

Note	Particulars

1 Corporate information

"MILLENNIUM TELECOM LIMITED (MTL), a wholly owned subsidiary of MAHANAGAR TELEPHONE NIGAM LIMITED (MTNL), is set up to set up submarine cable project & to provide IT solutions. Following are the list of services which are intended to be provided by MTL in INDIA.“E-Tendering services (Online Tendering Services), Sale of ISP packs and collection from Cyber café services, Dial up services, ISDN Dial Up services, Lease Line service, Web page hosting service, Web server hosting service, Internet kiosks, On-line registration of new telephone connection, presentation and bill payment services, Internet Access on Broadband, Portal Services, Virtual Private Network (VPN) services, Certification Gateway for digital signatures to enable E-commerce transactions, High speed ATM services for LAN interconnection, Video on demand, Video Conferencing, Telemedicine, Distance Education and Bandwidth on demand, Data Centre / Call Center.“"

2 Significant accounting policies

2.1 Basis of accounting and preparation of financial statements

The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

2.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

2.3 Cash and cash equivalents (for purposes of Cash Flow Statement)

Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

2.4 Cash flow statement

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

2.5 Depreciation and amortisation

Depreciation has been provided on the straight-line method as per the rates prescribed in Schedule XIV to the Companies Act, 1956.

Assets costing less than ₹5,000 each are fully depreciated in the year of capitalisation

2.6 Other income

Interest income is accounted on accrual basis.

2.7 Tangible fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses, if any. The cost of fixed assets includes incidental expenses incurred up to the date the asset is ready for its intended use. Subsequent expenditure relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.

2.8 Employee benefits

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

2.9 Segment reporting

As the company is not carryuing on any business for last 5 years, segment reporting is not applicable to the Company

2.10 Earnings per share

Basic earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax (including the post tax effect of extraordinary items, if any) as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.11 Impairment of assets

The carrying values of assets / cash generating units at each Balance Sheet date are reviewed for impairment. If any indication of impairment exists, the recoverable amount of such assets is estimated and impairment is recognised, if the carrying amount of these assets exceeds their recoverable amount. The recoverable amount is the greater of the net selling price and their value in use. Value in use is arrived at by discounting the future cash flows to their present value based on an appropriate discount factor. When there is indication that an impairment loss recognised for an asset in earlier accounting periods no longer exists or may have decreased, such reversal of impairment loss is recognised in the Statement of Profit and Loss, except in case of revalued assets.

2.12 Provisions and contingencies

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions (excluding retirement benefits) are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the Balance Sheet date. These are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates. Contingent liabilities are disclosed in the Notes.

2.13 Taxes on income

"Current tax is the amount of tax payable on the taxable income for the year as determined in accordance with the provisions of the Income Tax Act, 1961.““Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as an asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.““Deferred tax is recognised on timing differences, being the differences between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax is measured using the tax rates and the tax laws enacted or substantially enacted as at the reporting date. Deferred tax liabilities are recognised for all timing differences. Deferred tax assets in respect of unabsorbed depreciation and carry forward of losses are recognised only if there is virtual certainty that there will be sufficient future taxable income available to realise such assets. Deferred tax assets are recognised for timing differences of other items only to the extent that reasonable certainty exists that sufficient future taxable income will be available against which these can be realised. Deferred tax assets and liabilities are offset if such items relate to taxes on income levied by the same governing tax laws and the Company has a legally enforceable right for such set off. Deferred tax assets are reviewed at each Balance Sheet date for their realisability. "

Current and deferred tax relating to items directly recognised in equity are recognised in equity and not in the Statement of Profit and Loss.

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MILLENNIUM TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 3 '
SHARE CAPITAL

Particulars	As at 31 March, 2012		At at 31 March, 2011	
	Number of Share	(RUPEES)	Number of Shares	(RUPEES)
(a) ~~**Authorised**~~				
Equity shares of ₹10 each with voting rights	100,000,000	1,000,000,000	100,000,000	1,000,000,000
(b) Issued				
Equity shares of ₹10 each with voting rights	2,875,880	28,758,800	2,875,880	28,758,800
(c) Subscribed and fully paid up				
Equity shares of ₹10 each with voting rights	2,875,880	28,758,800	2,875,880	28,758,800
Total	**2,875,880.00**	**28,758,800.00**	**2,875,880.00**	**28,758,800.00**

Particulars

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting period:

	Opening Balance	Fresh Issue/ Bonus /ESOP	Conversion/ Buy Back	Closing Balcne
Equity shares with voting rights Issued,				
Subscribed and fully paid up				
Year ended 31 March, 2012				
- Number of shares	2,875,880	-	-	2,875,880
- Amount (₹)	28,758,800	-	-	28,758,800
Year ended 31 March, 2011				
- Number of shares	2,875,880	-	-	2,875,880
- Amount (₹)	28,758,800	-	-	28,758,800

Notes:

(ii) Details of shares held by the holding company, the ultimate holding company, their subsidiaries and associates:

Particulars	Equity shares with voting rights
	Number of shares
As at 31 March, 2012	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880
As at 31 March, 2011	
Mahanagar Telephone Nigam Limited, the holding company	2,875,880

(iv) Details of shares held by each shareholder holding more than 5% shares:

Class of shares/Name of shareholder	At at 31 March, 2012		At as 31 March, 2011	
	Numbers of shares held	% holding in that class of shares	Numbers of shares held	% holding in that class of shares
Equity shares with voting rights				
Mahanagar Telephone Nigam Limited	2,875,880	100	2,875,880	100

NOTE' 4 '
Reserves and Surplus

		AS AT 31.03.2012 (RUPEES)	AS AT 31.03.2011 (RUPEES)
(i) Revenue Reserve			
Opening Balance		995,181	995,181
Add: Additions / transfers during the year		-	-
Less: Utilisations / transfers during the year		-	-
Closing balance		995,181	995,181
(ii) Surplus / (Deficit) in Statement of Profit and Loss			
Opening balance		22,296,078	27,183,824
Add: Profit / (Loss) for the year		(1,998,290)	(4,887,746)
Closing balance		20,297,788	22,296,078
	Total	**21,292,969**	**23,291,259**

Note 5
Short-term borrowings

(a) Loans and advances from related parties		5,252,710	1,819,246
Unsecured			
	Total	**5,252,710**	**1,819,246**

Notes:

(i) Details of Unsecured Loans and advances from related parties:

Loans and advances from related parties:		
MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	5,252,710	1,819,246
(Loan accepted during the year ₹3433464/- P.Y.₹605418/-)		
Total - Loans and advances from related parties	5,252,710	1,819,246

(ii): There is no default in repayment of loans and interest

Note 6
Trade payables

Trade payables:			
Other than Acceptances		2,704,861.00	2,696,827.00
	Total	**2,704,861.00**	**2,696,827.00**

Note: Trade payables include due to Mahanagar Telephone Nigam Ltd, holding Company ₹1663945/-P.Y. ₹1663945)

Note 7
Other current liabilities

(a) Other payables			
(i) Statutory remittances (Professional Tax, Service Tax, etc.)		805,407	800,319
(ii) Trade / security deposits received		4,131,283	4,131,283
	Total	**4,936,690**	**4,931,602**

NOTE' 8 '
Fixed assets

A. Tangible assets	Gross block				
	Balance as at 1st April, 2011	Additions	Disposals	other adjusments	Balance as at 31 March 2012
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Owned Assets					
(a) Plant and Equipment	82,639	-	-	-	82,639
(b) Furniture and Fixtures	474,252	-	-	-	474,252
(c) Vehicles	636,216	-	-	-	636,216
(d) Office equipment	340,610	-	-	-	340,610
(e) Electrical Fittings	62,215	-	-	-	62,215
(f) Others (Computers)	2,158,850	-	-	-	2,158,850
Total	**3,754,782**	**-**	**-**	**-**	**3,754,782**
Previous year	**3,754,782**	**-**	**-**	**-**	**3,754,782**

A. Tangible assets	Gross Block			Net Block	
	Balance as at 1st April, 2011	Depreciation amortisation expense for the year	Balance as at 31 March 2012	Balance as at 31 March, 2012	Balance as at 31 March 2011
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Owned Assets					
(a) Plant and Equipment	76,828	5,811	82,639	0	5,811
(b) Furniture and Fixtures	252,573	30,020	282,593	191,659	221,679
(c) Vehicles	513,830	60,441	574,271	61,945	122,386
(d) Office equipment	128,237	16,180	144,417	196,193	212,373
(e) Electrical Fittings	30,938	3,938	34,876	27,339	31,277
(f) Others (Computers)	2,021,647	100,299	2,121,946	36,904	137,203
Total	**3,024,053**	**216,689**	**3,240,742**	**514,040**	**730,729**
Previous year	**2,786,366**	**237,687**	**3,024,053**	**730,729**	**968,416**

Particulars

B. Depreciation and amortisation relating to continuing operations:

Particulars	For the year ended 31 March, 2012	for the year ended 31 March, 2011
Depreciation and amortisation for the year on tangible assets	216,689	237,687
Depreciation and amortisation for the year on intangible assets	-	-
Less: Utilised from revaluation reserve	-	-
Depreciation and amortisation relating to discontinuing operations	-	-
Depreciation and amortisation relating to continuing operations	216,689	237,687

Notes:

(i) There are no amounts written off on reduction of capital or revaluation of assets or sums added to assets on revaluation during the preceding 5 years:

(ii) There are no assets acquired under hire purchase agreements:

(iii) There are no assets jointly owned by the Company:

NOTE' 9 '
Long-term loans and advances

Particulars		As at 31 March, 2012	As at 31 March, 2011
		(RUPEES)	(RUPEES)
Advance income tax # (net of provisions of ₹8907525 (As at 31 March, 2011 of ₹ 9308825) - Unsecured, considered good		14,208,304	7,356,209
	Total	**14,208,304**	**7,356,209**

NOTE' 10 '
Other non-current assets

Particulars		As at 31 March, 2012	As at 31 March, 2011
		(RUPEES)	(RUPEES)
(a) Others			
(i) Others: Sub Marine Cable Project Initial Expenses		9,056,800	11,321,000
	Total	**9,056,800**	**11,321,000**

NOTE' 11'
Trade receivables

Particulars		As at 31 March, 2012	As at 31 March, 2011
		(RUPEES)	(RUPEES)
Trade receivables outstanding for a period exceeding six months from the date they were due for payment			
Unsecured, considered good due from MAHANAGAR TELEPHONE NIGAM LIMITED, holding company		13,637,395	13,637,395
Unsecured, considered good due from others		-	58,200
Doubtful		273,971	215,771
		13,911,366	13,911,366
Less: Provision for doubtful trade receivables		273,971	215,771
	Total	**13,637,395**	**13,695,595**

NOTE' 12'
Cash and Cash equivalents

Particulars		As at 31 March, 2012	As at 31 March, 2011
		(RUPEES)	(RUPEES)
Balances with banks			
(i) In current accounts		936,033.00	901,320
(ii) In deposit accounts (Refer Note (i) below)		24,451,840	23,638,580
	Total	**25,387,873**	**24,539,900**
Of the above, the balances that meet the definition of Cash and cash equivalents as per AS 3 Cash Flow Statements is		25,387,873	901,320

NOTE' 13 '
Short-term loans and advances

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(RUPEES)	(RUPEES)
(a) Loans and advances to related parties		
Unsecured, considered good from		
MAHANAGAR TELEPHONE NIGAM LIMITED, holding company	174,213	174,213
Less: Provision for doubtful loans and advances	-	-
	174,213	**174,213**
(b) Prepaid expenses - Unsecured, considered good (Insurance premium)	2,370	2,370
Total	**176,583**	**176,583**

NOTE' 14 '
Other current assets

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(RUPEES)	(RUPEES)
Accruals		
(i) Interest accrued on deposits	-	3,757,899
Total	**-**	**3,757,899**

NOTE' 15 '
Other Income

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(RUPEES)	(RUPEES)
(a) Interest income (Refer Note (i) below)	1,809,676	2,101,256
Total	**1,809,676**	**2,101,256**

Notes:

(i) Interest income comprises:		
Interest from banks on:		
deposits	1,809,676	2,101,256
Total - Interest income	**1,809,676**	**2,101,256**
(ii) Details of Prior period items (net)		
Prior period income (give details)	-	-
Prior period expenses (give details)	-	-
Total	**-**	**-**

NOTE' 16 '
Finance costs

Particulars	As at 31 March, 2012	As at 31 March, 2011
	(RUPEES)	(RUPEES)
(a) Interest expense on others		
- Interest on delayed payment of Profession tax	2,588	1,200
Total	**2,588**	**1,200**

NOTE' 17 '
Other expenses

Particulars		As at 31 March, 2012	As at 31 March, 2011
		(RUPEES)	(RUPEES)
Repairs and maintenance - Machinery		3,950	-
Insurance		-	3,338
Rates and taxes		2,500	2,500
Travelling and conveyance		11,612	103,414
Printing and stationery		430	485
Legal and professional		474,544	25,730
Payments to auditors (Refer Note (i) below)		73,034	71,695
Provision for doubtful trade and other receivables, loans and advances (net)		58,200	-
Prior period items		-	-
Miscellaneous expenses		9,868	12,583
	Total	**634,138**	**219,745**

Notes:

(i) Payments to the auditors comprises (net of service tax input credit, where applicable):		
As auditors - statutory audit	40,450	39,708
For other services Certification Fees	32,584	31,987
Total	**73,034**	**71,695**

NOTE' 18 '
Exceptional Items

Particulars		As at 31 March, 2012	As at 31 March, 2011
		(RUPEES)	(RUPEES)
20% of of initial expenses of submarine cable project written off #		2,264,200	-
	Total	**2,264,200**	**-**

 # Note: 1/5th of submarine cable project initial expenses incurred 4 years ago written off prudentially. The project is not abandoned by the company officially. However due to delay in implementation of project, the company has decided that it is prudentially wise to write off the expenses in five years.

MTNL

MILLENNIUM TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 19 '

Additional information to the financial statements

Note:	**Particulars**	**As at 31 March, 2012 (RUPEES)**	**As at 31 March, 2011 (RUPEES)**
19.1	**Contingent liabilities and commitments (to the extent not provided for)**		
(i)	Contingent liabilities		
	(a) Claims against the Company not acknowledged as debt (give details)		
	"As Regards Income Tax of ₹ ₹34,96,764/- pertaining to Assessment Year 2004-2005, ₹29,82,670/- pertaining to Assessment Year 2005-2006 and ₹6,34,050/- pertaining to Assessment Year 2007-2008 also penalty of ₹ 40,55,448/- for Assessment Year 2003-2004 & penalty of ₹ 26,88,755 for Assessment Year 2005-2006 as per the demand notice 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."	13,857,687	13,857,687
	(b) Guarantees: Guarantee given by Banks	20,000,000	20,000,000
(ii)	Commitments		
	(a) Estimated amount of contracts remaining to be executed on capital account and not provided for Intangible assets	4,39,00,000	4,39,00,000
	"As Regards of Sub Marine Cable Project, Payment to Consulting Firm M/s Axiom is pending up to ₹4,39,00,000/- out of total contract price ₹ 5,20,00,000/-. Full Payment has been already made to M/s Data Wave limited in the financial year 2006-07."		

19.2 **Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006:** The company has no dues to micro and small enterprises during the year ended March 31, 2012 and March 31, 2011 and as at March 31, 2012 and March 31, 2011.

Dues to Micro and Small Enterprises have been determined to the extent such parties have been identified on the basis of information collected by the Management. This has been relied upon by the auditors.

19.3 The information relating to Value of imports calculated on CIF basis, Expenditure in foreign currency, Earnings in foreign exchange & Amounts remitted in foreign currency during the year on account of dividend; is Nil for the company as the company has not done any foreign currency transactions during last 2 years.

19.4 Details of consumption of imported and indigenous items are Nil for the company as the company has not done any purchase & sale of goods during last 2 years.

19.5 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.

19.6 No confirmation has been received from Sundry Debtors/sundry creditors outstanding.

19.7 The payments of ₹1,13,21,000/- made for the purpose of submarine cable project is shown as deferred revenue expenses under other non-current assets since the project is in progress. 1/5th of this expenses incurred 4 years ago written off prudentially. The project is not abandoned by the company officially. However due to delay in implementation of project, the company has decided that it is prudentially wise to write off the expenses in five years.

MILLENNIUM TELECOM LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 20 '
Disclosures under Accounting Standards

Note:	Particulars	
20.1	**Related party transactions**	
20.1.a	**Details of related parties:**	
	Description of relationship	**Names of related parties**
	Ultimate Holding Company	None
	Holding Company	Mahanagar Telephone Nigam Ltd.
	Ultimate Holding Company	None
	Subsidiaries	None
	Fellow Subsidiaries	Mahanagar Telephone Nigam (Mauritius) Ltd
	Associates	1. Bharat Sanchar Nigam Ltd. 2. United Telecom Ltd is a joint venture of MTNL. TCIL, TCL and NVPL.MTNL hold 26.68% of shares in UTL. The CMD MTNL is the chairman and Director on the Board of MTL
	Key Management Personnel (KMP)	Shri A.K.Garg, Chairman,Shri Kuldip Singh,Director, Shri Anita Soni,Director and Shri S.P.Pachauri, Director, Shri N.K.Jain, COO- No transaction with all of them
	Relatives of KMP	No transactions
	Company in which KMP / Relatives of KMP can exercise significant influence	No Transactions

Note: Related parties have been identified by the Management.

Details of related party transactions during the year ended 31 March, 2012 and balances outstanding as at 31 March, 2012:

20.1B	Associates Bharat Sanchar Nigam Ltd./ United Telecom Ltd.	Utlimate Holding Co. Mahanagar Telephone Nigam Ltd.	Fellow Subsidiaries Mahanagar Telephone Nigam (Mauritius) ltd.	Total
Finance (including loans and equity contributions in cash or in kind)	0 (0)	3433464 (605418)	0 (0)	3433464 (605418)
Guarantees and collaterals	0 (0)	0 (0)	0 (0)	0 (0)
Management contracts including for deputation of employees	0 (0)	0 (0)	0 (0)	0 (0)
Balances outstanding at the end of the year				
Trade receivables	0 (0)	13,637,395 (13,637,395)	0 (0)	13,637,395 (13,637,395)
Loans and advances	0 (0)	174213 (174213)	0 (0)	174,213 (174,213)
Trade payables	0 (0)	2,704,861 (2,696,827)	0 (0)	2,704,861 (2,696,827)
Borrowings	0 (0)	5252710 (1819246)	0 (0)	5,252,710 (1,819,246)
Provision for doubtful receivables, loans and advances	0 **(0)**	0 **(0)**	0 **(0)**	0 **(0)**

Note: Figures in bracket relates to the previous year

MILLENNIUM TELECOM LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

NOTE' 20 '

Disclosures under Accounting Standards

Note:	Particulars	As at 31 March, 2012 (RUPEES)	As at 31 March, 2011 (RUPEES)
20.2	**Deferred tax (liability) / asset**		
	Tax effect of items constituting deferred tax liability		
	On difference between book balance and tax balance of fixed assets	34,965	80,818
	Tax effect of items constituting deferred tax liability	34,965	80,818
	Tax effect of items constituting deferred tax assets		
	Others	-	-
	Tax effect of items constituting deferred tax assets	-	-
	Net deferred tax (liability) / asset	**(34,965.00)**	**(80,818.00)**

NOTE' 21 '

Previous year's figures

21 The Revised Schedule VI has become effective from 1 April, 2011 for the preparation of financial statements. This has significantly impacted the disclosure and presentation made in the financial statements. Previous year's figures have been regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosure.

as per our report attached

For M/s D. N. KUBAL & CO.
Chartered Accountants
Firm's Registration No.: 105390W

Mr. DEEPAK KUBAL
Partner
Membership No. 034078

Place : Mumbai
Date : 19/06/2012

for and on behalf of the Board of Director

Sd/-	**Sd/-**
(A. K. Garg)	**(Anita Soni)**
Chairman & Director	**Director**
Sd/-	**Sd/-**
(N.K. Jain)	**(S.R. Sayal)**
Chief Operation Officer	**Company Secretary**

MTNL

MILLENNIUM TELECOM LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH 2012

Particulars	For the year ended 31 March, 2012		For the year ended 31 March, 2011	
	(RUPEES)	**(RUPEES)**	**(RUPEES)**	**(RUPEES)**
A. **Cash flow from operating activities**				
Net Profit / (Loss) before extraordinary items and tax		(1,307,939)		1,642,624
Adjustments for:				
Depreciation and amortisation	216,689		237,687	
Finance costs	2,588		1,200	
Interest income	(1,809,676)		(2,101,256)	
Provision for doubtful trade and other receivables, loans and advances	58,200		-	
Other non-cash charges (Ammortisation of submarine Cable project expenses)	2,264,200	732,001	-	(1,862,369)
Operating profit / (loss) before working capital changes		(575,938)		(219,745)
Changes in working capital:				
Adjustments for (increase) / decrease in operating assets:				
Short-term loans and advances	-		178	
Long-term loans and advances	(6,852,095)		5,973,787	
Other current assets	3,757,899		(1,896,648)	
Adjustments for increase / (decrease) in operating liabilities:				
Trade payables	8,034		6,695	
Other current liabilities	5,088	(3,081,074)	3,700	4,087,712
Cash generated from operations		(3,657,012)		3,867,967
Net income tax (paid) / refunds		(735,567)		(6,573,525)
Net cash flow from / (used in) operating activities (A)		**(4,392,579)**		**(2,705,558)**
B. Cash flow from investing activities				
Bank balances not considered as Cash and cash equivalents				
- Matured	23,638,580		-	
Interest received				
- Others Bank FD	1,809,676	25,448,256	2,101,256	2,101,256
Net cash flow from / (used in) investing activities (B)		**25,448,256**		**2,101,256**
C. Cash flow from financing activities				
Proceeds from other short-term borrowings	3,433,464		605,418	
Finance cost	(2,588)	3,430,876	(1,200)	604,218
Net cash flow from / (used in) financing activities (C)		**3,430,876**		**604,218**

Particulars	For the year ended 31 March, 2012		For the year ended 31 March, 2011	
	(RUPEES)	(RUPEES)	(RUPEES)	(RUPEES)
Net increase / (decrease) in Cash and cash equivalents (A+B+C)		**24,486,553**		**(84)**
Cash and cash equivalents at the beginning of the year		901,320		901,404
Cash and cash equivalents at the end of the year		25,387,873		901,320
Reconciliation of Cash and cash equivalents with the Balance Sheet:				
Cash and cash equivalents as per Balance Sheet (Refer Note 19)		25,387,873		24,539,900
Less: Bank balances not considered as Cash and cash equivalents as defined in AS 3 Cash Flow Statements		-		23,638,580
Net Cash and cash equivalents (as defined in AS 3 Cash Flow Statements) included in Note 19		25,387,873		901,320
Cash and cash equivalents at the end of the year *				
* Comprises:				
(c) Balances with banks				
(i) In current accounts		936,033		901,320
(ii) In deposit accounts with original maturity of less than 3 months		24,451,840		-
		25,387,873		**901,320**

as per our report attached

For M/s D. N. KUBAL & CO.
Chartered Accountants
Firm's Registration No.: 105390W

Mr. DEEPAK KUBAL
Partner
Membership No. 034078

Place :Mumbai
Date : 19/06/2012

for and on behalf of the Board of Director

Sd/-
(A. K. Garg)
Chairman & Director

Sd/-
(Anita Soni)
Director

Sd/-
(N.K. Jain)
Chief Operation Officer

Sd/-
(S.R. Sayal)
Company Secretary

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 is made solely to the members of **MAHANAGAR TELEPHONE (MAURITIUS) LTD** (the "Company"), as a body, in accordance with Section 205 of the Mauritian Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Report on the Financial Statements

We have audited the financial statements of **MAHANAGAR TELEPHONE (MAURITIUS) LTD,** set out on pages 4 to 21, which comprise the statement of financial position at 31 March 2012 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.

Report on the Financial Statements

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 4 to 21 give a true and fair view of the financial position of the company at 31 March 2012 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 capacity 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
Chartered Accountants

RavIndra Ramphul, FCCA
Signing Partner
Licensed by FRC

PORT LOUIS
MAURITIUS

Date : 20 April, 2012

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2012

	Notes	2012 Rs.	2011 Rs.
~~**ASSETS**~~			
Non-current assets			
Property, plant and equipment	**5**	**302,015,233**	274,459,062
Equipment under construction		**89,894,966**	65,930,879
Deferred taxation	**6**	**683,071**	7,463,255
		392,593,270	347,853,196
Current assets			
Trade and other receivables	**7**	**337,725,725**	311,538,042
Cash and cash equivalents	**8**	**19,969,297**	30,840,379
		357,695,022	342,378,421
TOTAL ASSETS		**750,288,292**	690,231,617
~~**EQUITY AND LIABILITIES**~~			
Equity			
Stated capital	**9**	**673,717,949**	673,717,949
Accumulated losses	**10**	**(42,441,705)**	(66,957,859)
TOTAL EQUITY		**631,276,244**	606,760,090
Current liabilities			
Trade and other payables	**11**	**118,456,255**	83,379,548
Taxation	**6**	**555,793**	91,979
		119,012,048	83,471,526
TOTAL EQUITY AND LIABILITIES		**750,288,292**	690,231,617

Approved by the Board of Directors on 20.04.2012

sd/-
DIRECTOR

sd/-
DIRECTOR

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

	Notes	2012 Rs.	2011 Rs.
Turnover		**275,402,059**	319,267,260
Cost of sales (Appendix I)		**(86,112,863)**	(115,279,435)
Gross profit		**189,289,196**	203,987,825
Personnel expenses		**(12,110,472)**	(14,519,192)
Licence fees		**(14,065,669)**	(21,214,675)
Administrative expenses		**(74,339,174)**	(88,397,097)
Marketing expenses		**(20,932,601)**	(12,562,055)
Depreciation		**(47,071,723)**	(44,231,720)
Profit from operations	**12**	**20,769,557**	23,063,085
Other income	**13**	**1,475,436**	484,000
Net finance income	**14**	**9,607,138**	4,242,569
Total comprehensive income before taxation		**31,852,131**	27,789,654
Taxation	**6**	**(7,335,977)**	(5,775,541)
Total comprehensive income for the year		**24,516,154**	22,014,113
Earnings per share	**15**	**0.04**	0.03

MTNL

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2012

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
Balance at 01 April 2010	**572,264,029**	**(88,971,972)**	**483,292,057**
Issue of share capital	101,453,920	-	101,453,920
Total comprehensive loss for the year	-	(22,014,113)	(22,014,113)
Balance at 31 March 2011	**673,717,949**	**(66,957,859)**	**606,760,090**
Total comprehensive income for the year	-	24,516,154	24,516,154
Balance at 31 March 2012	**673,717,949**	**(42,441,705)**	**631,276,244**

MAHANAGAR TELEPHONE (MAURITIUS) LTD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 Rs.	2011 Rs.
Cash flow from operating activities			
Total comprehensive income before taxation		**31,852,131**	27,789,654
Adjustments for:-			
Depreciation		**47,071,723**	44,231,720
Interest received		**(6,684,715)**	(4,171,451)
Operating profit before working capital changes		**72,059,139**	67,849,923
Increase in trade and other receivables		**(26,279,662)**	(115,647,894)
(Decrease) / increase in trade and other payables		**35,076,707**	(2,954,719)
Cash (absorbed into) / generated from operations		**80,856,184**	(50,752,690)
Interest received		**6,864,715**	4,171,451
Net cash generated from / (absorbed into) operating activities		**87,720,899**	(46,581,238)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		**4,998,769**	14,497,231
Equipment under construction		**(23,964,087)**	(55,960,143)
Purchase of property, plant and equipment		**(79,626,663)**	(12,655,163)
Net cash used in investing activities		**(10,871,082)**	(100,699,313)
Cash flows from financing activities			
Issue of share capital		**-**	101,453,920
Net increase in cash and cash equivalents		**(10,871,082)**	754,606
Movements in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year		**30,840,739**	30,085,773
Cash and cash equivalents at the end of the year	**8**	**19,969,297**	30,840,379
Net increase in cash and cash equivalents		**(10,871,082)**	754,606

1. CORPORATE INFORMATION

Mahanagar Telephone (Mauritius) Ltd is a private limited Company incorporated in Mauritius on 14 November 2003. The address of the registered office is MTML Square, 63 Cyber City, Ebene, Mauritius. The principal 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 IFRSs have been applied in the current year and have affected the amounts reported in these financial statements. Details of other new and revised IFRSs applied in these financial statements that have had no material effect on the financial statements 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 2010)*

The amendments to IAS 1 clarify that an entity may choose to disclose an analysis of other comprehensive income by item in the statement of changes in equity or in the notes to the financial statements.

- *IAS 24 Related Party Disclosures (as revised in 2009)*

IAS 24 (as revised in 2009) has been revised on the following two aspects: (a) IAS 24 (as revised in 2009) has changed the definition of a related party and (b) IAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

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

The following new and revised IFRSs have also been adopted in these consolidated 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.

- *Amendments to IAS 32 Classification of Rights Issues*

  The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities. Under the amendments, rights, options or warrants issued by an entity for the holders to acquire a fixed number of the entity's equity instruments for a fixed amount of any currency are classified as equity instruments in the financial statements of the entity provided that the offer is made pro rata to all of its existing owners of the same class of its non-derivative equity instruments. Before the amendments to IAS 32, rights, options or warrants to acquire a fixed number of an entity's equity instruments for a fixed amount in foreign currency were classified as derivatives. The amendments require retrospective application.

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

2.2 New and revised IFRSs applied with no material effect on the consolidated financial statements (continued)

- *Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement*

  IFRIC 14 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability.The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.

- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments*

  The Interpretation provides guidance on the accounting for the extinguishment of a financial liability by the issue of equity instruments. Specifically, under IFRIC 19, equity instruments issued under such arrangement will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the consideration paid will be recognised in profit or loss.

- *Improvements to IFRSs issued in 2010*

  Except for the amendments to IFRS 3 and IAS 1 described earlier in section 2.1, the application of Improvements to IFRSs issued in 2010 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 applied the following new and revised IFRSs that have been issued but are not yet effective:

- Amendments to IFRS 7 : Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011).
- IFRS 9 : Financial Instruments (Effective for annual periods beginning on or after 1 January 2013).
- IFRS 12 : Disclosure of Interests in Other Entities (Effective for annual periods beginning on or after 1 January 2013).
- IFRS 13 : Fair Value Measurement (Effective for annual periods beginning on or after 1 January 2013).
- Amendments to IAS 1 : Presentation of Items of Other Comprehensive Income (Effective for annual periods beginning on or after 1 July 2012).
- Amendments to IAS 12 : Deferred Tax – Recovery of Underlying Assets (Effective for annual periods beginning on or after 1 January 2012).
- IAS 19 (as revised in 2011) : Employee Benefits (Effective for annual periods beginning on or after 1 January 2013).
- IAS 28 (as revised in 2011) : Investments in Associates and Joint Ventures (Effective for annual periods beginning on or after 1 January 2013).

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 generally based 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 income on a straight line basis over the term of the lease.

(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 (₹), 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 reporting 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.

(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 trade and other 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.

(o) Trade and other receivables

Trade and other receivables are stated at its nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(p) Trade and other payables

Trade and other payables are stated at its nominal value.

(q) 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.

(r) 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.

(s) 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, plant 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 equipment. Additions during the year bear a due proportion of the annual depreciation charge.

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

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

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

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 management 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 2011	704,102	2,287,031	896,068	2,285,816	464,478,181	470,651,199
Additions		2,244,450	14,734		77,367,479	7,626,663
Transfer to inventories	-	-	-	-	(4,998,769)	(4,998,769)
At 31 March 2012	**704,102**	**4,531,481**	**910,802**	**2,285,816**	**536,846,891**	**545,279,093**
DEPRECIATION						
At 01 April 2011	498,701	498,922	156,631	1,196,610	193,841,273	196,192,137
Charge for the year	108,432	171,275	40,773	217,152	46,534,091	47,071,723
At 31 March 2012	**607,133**	**670,197**	**197,404**	**1,413,762**	**240,375,364**	**243,263,860**
NET BOOK VALUE						
At 31 March 2012	**96,969**	**3,861,284**	**713,398**	**872,054**	**296,471,527**	**302,015,233**
At 31 March 2011	205,401	1,788,109	739,437	1,089,206	270,636,908	274,459,062

6.Taxation

	2012 Rs.	2011 Rs.

The Company is liable to income tax at the rate of 15 % (2011: 15%) on its profit as adjusted for tax purposes.

	2012 Rs.	2011 Rs.
Current tax charge	**-**	-
Corporate social responsibilty liability	**555.793**	129,979
Deferred tax charge	**6,780,184**	5,645,562
Total tax expense in the statement of comprehensive income	**7,335,977**	5,775,541

Reconciliation of effective taxation

	2012 Rs.	2011 Rs.
Total comprehensive income before taxation	**31,852,131**	27,789,654
Income tax at 15%	**4,777,820**	4,168,448
Non-allowable expenses	**52,180**	51,699
Tax rate differential	**1,950,184**	1,425,415
	6,780,184	5,645,562

Deferred tax assets

	2012 Rs.	2011 Rs.
At 01 April 2011	**7,463,255**	13,108,817
Movement during the year	**(6,780,184)**	(5,645,562)
At 31 March 2012	**683,071**	7,463,255

Deferred tax assets are analysed as follows:

	2012 Rs.	2011 Rs.
Accelerated capital allowances	**(31,305,273)**	(31,691,969)
Tax losses	**29,288,344**	35,555,224
Provision for bad debts	**2,700,000**	3,600,000
	682,071	7,463,255

7. Trade and other receivables

	2012 Rs.	2011 Rs.
Trade receivables	**93,413,360**	122,058,290
Other receivables and prepayments	**244,312,365**	189,479,752
	337,725,725	311,538,042

8. Cash and bank balances

Cash in hand and at bank	**19,969,297**	30,840,379

9. Stated capital

Ordinary shares of no par value	**673,717,949**	673,717,949

10. Accumulated losses

At 01 April 2011	**(66,957,859)**	(88,971,972)
Total comprehensive income for the year	**24,516,154**	22,014,113
At 31 March 2012	**(42,441,705)**	(66,957,859)

11. Trade and other payables

Trade payables	**22,968,014**	22,107,069
Other payables	**95,488,241**	61,272,479
	118,456,255	83,379,548

12. Total comprehensive income from operations

Profit from operations is arrived at after charging the following items:-

Staff costs	**12,110,472**	14,519,192
Depreciation on property, plant and equipment	**47,071,723**	44,231,720
Directors' emoluments	**-**	5,000
Auditors' remuneration	**90,000**	90,000
Number of employees at end of the year	**14**	12

	2012 Rs.	2011 Rs.
13. Other income		
Other income	**1,475,436**	484,000
14. Net finance expense		
Interest income	**6,864,715**	4,171,451
Foreign exchange gain	**2,862,874**	71,118
Finance income	**9,727,589**	4,242,569
Foreign exchange losses	**(120,451)**	-
Finance expense	**(120,451)**	-
Net finance expense	**9,607,138**	4,242,569

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 2012.

16. Related party transactions

	2012 Rs.	2011 Rs.
The Company had the following transactions with related parties.		
Directors fees	**-**	5,000
Remuneration and other short term benefits to key management personnel	**3,914,157**	3,816,383

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 for operating leases cancellable with six months notice area as follows :

	BTS sites Rs.	Buildings Rs.	Total Rs.
Within one year	4,826,112	-	4,826,112
Between one year and five years	50,296,260	-	50,296,260
Over five years			
	55,122,372	-	55,122,372

(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.18,987,500/-.**

(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, the Company is exposed to the risk that the exchange rate of the MUR 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.

20. Financial instruments (Continued)

(i) Foreign exchange risk

Categories of financial instruments	2012 Rs.	2011 Rs.
Financial assets		
Trade and other receivables	**337,725,725**	311,538,042
Cash and cash equivalents	**19,969,297**	30,840,379
	357,695,022	342,378,421
Financial liabilities		
Trade and other payables	**118,456,255**	83,379,548

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:

	2012		2011	
	Financial assets Rs.	**Financial liabilities Rs.**	**Financial assets Rs.**	**Financial liabilities Rs.**
Mauritian Rupees (MUR)	**357,695,022**	**119,012,048**	342,378,421	83,379,548
	357,695,022	**119,012,048**	342,378,421	83,379,548

(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 2012.

20. Financial summary

	2012	**2011**	**2010**	**2009**
	Rs.	**Rs.**	**Rs.**	**Rs.**
Issued and Fully Paid Up Stated capital	**673,717,949**	**673,717,949**	572,264,029	567,235,852
Accumulated losses	**(42,441,705)**	**(66,957,859)**	(88,971,972)	(92,492,391)
Total comprehensive income before taxation	**31,852,131**	**27,789,654**	6,498,937	(41,438,122)
Total comprehensive income for the year	**25,516,154**	**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 2012

		2012 Rs.	2011 Rs.
I.	**Cost of sales**		
	ICTA Special account fee / Universal Service Fund Charges	**14,679,309**	8,730,111
	Carrier charges	**20,905,588**	29,435,960
	IPLC charges	**7,573,988**	8,009,974
	Cost of subscribers acquisition	**-**	4,731,068
	IUC charges	**42,953,978**	4,731,068
		86,112,863	115,279,435
II.	**Personnel expenses**		
	Salaries and allowances	**10,218,585**	13,176,987
	Other benefits	**1,891,887**	1,342,205
		12,110,472	14,519,192
III.	**Licence fees**		
	PLMN	**8,000,004**	8,000,004
	PSTN	**-**	7,999,671
	ILD	**1,999,992**	1,999,992
	Microware	**1,189,008**	1,000,008
	Spectrum	**2,160,000**	2,160,000
	ISP	**50,000**	50,000
	Dealership	**-**	5,000
	GSM Spectrum	**666,665**	-
		14,065,669	21,214,675

MAHANAGAR TELEPHONE (MAURITIUS) LTD
SCHEDULES TO THE STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2012

APPENDIX II

	2012 Rs.	2011 Rs.
IV. Administrative expenses		
Meeting expenses	127,760	98,306
Fraud tracking charges	8,663,534	7,154,219
Conveyance charges	8,112	7,727
Rental for ebene	300,000	450,000
Directors fees	-	5,000
Rental accomodation	1,505,843	1,407,664
Rental BTS sites	9,154,173	5,297,905
Rental of building	487,117	3,052,044
Rental of stores	-	54,000
Company licence	6,000	6,000
Electricity	14,692,602	15,929,049
Water charges	41,684	39,797
Motor vehicle running expenses	415,721	490,456
Vehicle hire charges	614,718	622,453
Repairs and maintenance - mess	531,222	574,223
Fuel for BTS	45,600	13,208
Repairs and maintenance - office	418,643	255,262
CRBT Expenditure	386,528	-
Repairs and maintenance - shop	434,607	279,976
Repairs and maintenance of FWPS	174,596	739,000
Repairs and maintenance	505,804	449,958
Maintenance sites	220,409	1,155,571
Printing	886,869.0	1,671,806.2
Stationery	467,523	465,010
Communication expenses	3,349,329	3,661,155
Bank charges	1,213,729	1,109,820
Library books	16,695	735
Horticulture expenses	20,800	16,300
Computer consumables and repairs	25,294	-
Professional charges	106,822	111,376
General expenses	298	78,618
Entertainment	57,138	116,083
Repairs of office equipment	1,300	-
Commission and brokerage fees	8,610,736	14,935,931
Office insurance	-	415,020
Security charges	826,842	2,149,445
Rates and taxes	1,100,223	1,330,885
Provision for bad debts	18,000,000	24,000,000
Lease rental	168,000	168,000
Freight charges	124,701	12,627
GSM-Roaming Charges	563,515	
Custom duty and clearance	64,687	72,469
	74,339,174	88,397,097

V. Marketing expenses

	2012 Rs.	2011 Rs.
Electricity for shops	337,731	410,719
Club membership	12,238	5,200
Rent of shops	2,534,138	2,121,460
Call centre charges	5,973,895	4,953,785
Publicity and advertisement	11,990,599	5,066,891
Website development and maintenance	84,000	4,000
	20,932,601	12,562,055

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MAHANAGAR TELEPHONE (MAURITIUS) LTD
INCOME TAX COMPUTATION
ASSESSMENT YEAR 2012

			2012 Rs.	
PROFIT AS PER ACCOUNTS			31,852,131	
ADD BACK :	DEPRECIATION		47,071,723	
	ENTERTAINMENT		57,138	
	PROVISION FOR BAD DEBTS		18,000,000	
	MEETING EXPENSES		127,760	meeting operating gifts for
	MISC EXPENSES		162,969	occasion and sweets for
	MARKETING EXPENSES			occasionmarketing eid party for ramadan
			97,271,721	
LESS: CAPITAL ALLOWANCES:				
Annual allowances :				
	Computer equipment	(18,101)		
	Furniture, fixtures and fittings	(621,960)		
	Office equipment	(66,250)		
	Motor Vehicle	(95,227)		
	Plant and equipment	(48,690,987)		
			(49,492,524)	
Adjusted profit			47,779,197	
Loss Brought forward			(261,034,823)	
Loss carried forward			(213,255,626)	

CSR

Profit before tax - 31 March 2011	27,789,654
Less income tax liability - 31 March 2011	-
Book Profit	**27,789,654**
CSR Contribution - 2%	**555,793**
Less TDS on rental received	
Net CSR due	555,793

MAHANAGAR TELEPHONE (MAURITIUS) LTD
CAPITAL ALLOWANCES COMPUTATION
ASSESSMENT YEAR 2012

COST	Computer equipment Rs.	Furniture fixtures and fittings Rs.	Office equipment Rs.	Motor vehicles Rs.	Plant and equipment Rs.	Total Rs.
At 01 April 2011	704,102	2,287,031	896,068	2,285,816	464,478,181	470,651,198
Additions		2,244,450	14,734		77,367,479	7,626,663
Disposal	-	-	-	-	(4,998,769)	(4,998,769)
At 31 March 2012	**704,102**	**4,531,481**	**910,802**	**2,285,816**	**536,846,891**	**545,279,092**
WRITTEN DOWN VALUE						
At 01 April 2011	36,201	865,349	147,188	380,909	61,749,626	63,179,273
Additions	-	2,244,450	14,734	-	77,367,479	79,626,663
	36,201	**3,109,799**	**161,922**	**380,909**	**139,117,105**	**142,805,936**
Annual Allowance	(18,101)	(621,960)	(66,250)	(95,227)	(48,690,987)	(49,492,524)
As of 31st March 2012	18101	2487839	95672	285682	90426118	9331342
Annual Allowance	50%	20%	35%	25%	35%	-
Less than ₹ 30,000	-		14,734		-	14,734
More than ₹ 30,000	-	448,890	-	-	27,078,618	27,527,508
Other assets	18,101	173,070	51,516	95,227	21,612369	21,950,282
	18,101	**621,960**	**66,250**	**95,227**	**48,690,987**	**49,492,524**

MAHANAGAR TELEPHONE (MAURITIUS) LTD
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2012

	2012 Rs.	2011 Rs.
N.B.V as at 31 March 2012	**302,015,233**	274,459,062
T.W.D.V as at 31 March 2012	**93,313,412**	63,179,273
Timing Difference	**208,701,821**	211,279,789
Deferred Taxation at 15% (accelerated capital allowances)	**31,305,273**	31,691,968
Balance at Start 01st April 2011	**7,463,255**	13,108,817
Charge for the year	**6,780,184**	5,645,562
Balance at end 31st March 2012	**683,071**	7,463,255
Charge for the year (to the Profit and Loss account)	**6,780,184**	5,645,562

MTNL

MAHANAGAR TELEPHONE NIGAM LIMITED

Registered Office: Mahanagar Doorsanchar Sadan, Floor-9, CGO Complex,
Lodhi Road, New Delhi-110 003

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 26th Annual General Meeting of the Company to be held on 28th September, 2012at 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: Mahanagar Doorsanchar Sadan, Floor-9, CGO Complex,
Lodhi Road, New Delhi-110 003

ADMISSION SLIP

Name .... Folio No. .... No. Of Shares ....

DP-Id .... Client Id* ....

I hereby record my presence at the 26th Annual General Meeting of Mahanagar Telephone Nigam Ltd. being held at **Auditorium,Mahanagar Sadan, 9, CGO Complex, Lodhi Road, New Delhi-110003** on 28th September, 2012 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.