

**Private & Confidential – For Private Circulation Only**

(This Disclosure Document is neither a Prospectus nor a Statement in Lieu of Prospectus). This Disclosure Document prepared in conformity with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular No. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012, CIR/IMD/DF/18/2013 Dated October 29, 2013 and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014.)

**INFORMATION MEMORANDUM**



**Total Telecom Service Provider**

**MAHANAGAR TELEPHONE NIGAM LIMITED**

**(A NavRatna Company)**

**Registered & Corporate Office Address:**

Mahanagar Doorsanchar Sadan

9, CGO Complex, Lodhi Road, New Delhi 110003

Tel.: 011-24319020; Fax: 011-24324243

CIN-L32101DL1986GOI023501

Website: [www.mtnl.net.in](http://www.mtnl.net.in)/ [www.bol.net.in](http://www.bol.net.in)

E-mail: [mtnligrc@bol.net.in](mailto:mtnligrc@bol.net.in)

**DISCLOSURE DOCUMENT**

**DISCLOSURE DOCUMENT FOR PRIVATE PLACEMENT OF GOVERNMENT OF INDIA GUARANTEED, UNSECURED, RATED, PROPOSED TO BE LISTED, REDEEMABLE, NON CONVERTIBLE TAXABLE BONDS OF RS. 10.00 LACS EACH FOR CASH AT PAR RS. 500 CRORES PLUS GREEN SHOE OPTION UPTO THE AMOUNT OF Rs. 1,768.90 CRORES “SERIES IV-D”, BY MAHANAGAR TELEPHONE NIGAM LIMITED (“MTNL” OR THE “ISSUER”) AGGREGATING TO Rs.2,268.90 CRORES.**

**CREDIT RATING**

CREDIT ANALYSIS & RESEARCH LTD. (CARE Ratings) has assigned “AAA (SO) rating” and Credit Rating Information Services of India Limited (CRISIL) has assigned “AAA (SO)/stable rating”.

The above ratings are not recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the assigning rating agencies and each rating should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in the future.

**GENERAL RISK**

Investment in debt instruments involves a degree of risk and investors should invest any funds in the issue only after reading the risk factors in the Information Memorandum carefully including the risk involved. The Securities have not been recommended or approved by Securities and Exchange Board of India (SEBI) nor does SEBI guarantee the accuracy or adequacy of this document.

## ISSUER'S ABSOLUTE RESPONSIBILITY

The issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this offer document contains all information with regard to the issuer and the issue, which is material in the context of the issue, that the information contained in the Information Memorandum is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which make this document as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.

## LISTING

The Bonds are proposed to be listed on Wholesale Debt Market ("WDM") of Bombay Stock Exchange (BSE).

### DEBENTURE TRUSTEE TO THE ISSUE

|   |  |   |  |
|---|--|---|--|
|  | <p><b>SBICAP TRUSTEE CO. LTD.</b><br/>                 Apeejay House, 6th Floor, West wing<br/>                 3, Dinshaw Wachha Road Churchgate,<br/>                 Mumbai - 400 020<br/>                 Tel: 022-4302 5555; Fax: 022-4302 5500<br/>                 Email:<br/> <a href="mailto:corporate@sbicaptrustee.com">corporate@sbicaptrustee.com</a></p> |  | <p><b>KARVY COMPUTERSHARE PVT. LTD.</b><br/>                 17-24, Vittal Rao Nagar, Madhapur,<br/>                 Hyderabad – 500081<br/>                 Tel: 91-40-44655000;<br/>                 Fax: 91-40-23431551<br/>                 Email : <a href="mailto:einward.ris@karvy.com">einward.ris@karvy.com</a></p> |
|---|--|---|--|

### REGISTRAR TO THE ISSUE

### ARRANGERS TO THE ISSUE

|   |   |   |   |
|---|---|---|---|
|  | <p>Barclays Bank PLC<br/>                 Mumbai Branch<br/>                 801/808 Ceejay House,<br/>                 Shivsagar Estate, Dr Annie Besant Road,<br/>                 Worli Mumbai 400 018<br/>                 India<br/>                 Tele No. 022-67196261<br/>                 Fax No. 022-67196185<br/>                 Rakesh Garg<br/>                 Managing Director<br/>                 E mail Address:<br/> <a href="mailto:hardik.dalal@barclays.com">hardik.dalal@barclays.com</a><br/>                 Website: <a href="http://www.barclays.co.in">www.barclays.co.in</a></p> |  | <p><b>A. K. CAPITAL SERVICES LTD.</b><br/>                 609, 6th Floor, Antriksh Bhawan<br/>                 22, Kasturba Gandhi Marg<br/>                 New Delhi –110 001<br/>                 Tel: (011) 23739628,<br/>                 23730748<br/>                 Fax: (011) 23739627<br/>                 Pankaj Agrawal<br/>                 Senior Vice President<br/>                 E mail Address:<br/> <a href="mailto:akdelhi@akgroup.co.in">akdelhi@akgroup.co.in</a><br/> <a href="mailto:akmumbai@akgroup.co.in">akmumbai@akgroup.co.in</a><br/>                 Website:<br/> <a href="http://www.akcapindia.com">www.akcapindia.com</a></p> |
|---|---|---|---|

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|---|--|--|---|
|    | <p>DEUTSCHE BANK AG<br/> 2nd Floor, Deutshe bank House, Hararimal Somani Marg<br/> Fort, Mumbai- 400 001<br/> Tele No. 022-71804271<br/> Fax No. 022-71804884<br/> Sarath Pendyala<br/> Vice President<br/> E mail Address<br/> sarath.pendyala@db.com<br/> m<br/> Website:www.db.com</p>  | <p>TRUST GROUP</p>  <p>In partnership.<br/>With trust</p> | <p>TRUST INVESTMENT ADVISORS PVT. LTD.<br/> 109/110, 1st Floor, Balarama, Village Parigkhari; Bandra Kurla Complex, Bandra (East), Mumbai – 400 051<br/> Tel : 022-40845000;<br/> Fax : 022-40845066/07<br/> Sumit Singh<br/> Senior Relationship Manager<br/> Email:<br/> sumit.singh@trustgroup.co.in<br/> <a href="mailto:mbd.trust@trustgroup.co.in">mbd.trust@trustgroup.co.in</a><br/> Website:<br/> www.trustgroup.co.in</p> |
|    | <p>The Hongkong and Shanghai Banking Corporation Limited, India (HSBC India).<br/> 52, 60, HSBC India Ltd Building, Mahatma Gandhi Road, Fort, Mumbai – 400001<br/> Tele No.022-40854244<br/> Fax No.022-22623339<br/> Vineet Patwari<br/> Director<br/> Capital Market, India<br/> E mail Address:<br/> vineet1patwari@hsbc.co.in<br/> Website:<br/> WWW.hsbc.co.in</p> |    | <p>AXIS BANK LTD<br/> 13<sup>th</sup> Floor, Statesman House, barakhamba RoadCorporate Office,<br/> New Delhi - 110 001<br/> Tele No. 011-43682437<br/> Fax No. 011-43682411<br/> Rohit Srivastava<br/> Asst. Vice President-DCM &amp; ET<br/> E mail Address:<br/> rohit1.srivastava@axisbank.com<br/> m<br/> Website:www.axisbank.com</p>   |
|  | <p>ICICI BANK<br/> ICICI Bank Towers,<br/> Bandra-Kurla Complex, Mumbai 400 051.<br/> Tele No. 022-26531027<br/> Fax No. 022-26531063<br/> Manisha Patel Kochhar<br/> Senior Manager<br/> E mail Address: gmgfixedincome@icicibank.com<br/> Website : www.icicibank.com</p>  |  |   |

## ISSUE SCHEDULE

|                          |                   |
|--------------------------|-------------------|
| Issue Opening Date       | November 28, 2014 |
| Issue Closing Date       | November 28, 2014 |
| Pay in Date              | November 28, 2014 |
| Deemed Date of Allotment | November 28, 2014 |

*In consultation with Arrangers, the issuer reserves the right to prepone the issue earlier from the aforesaid date or postpones the issue at its sole and absolute discretion without giving any reasons or prior notice. In the event of any change in the above issue programme, the Issuer will intimate the investors about the revised issue programme.*

*Note: This information memorandum & disclosure document of private placement is neither a prospectus nor a statement in lieu of prospectus and is intended for private use and for the purpose of listing of non-convertible debentures issued by the company and hence should not be construed as an invitation to public for subscription of debentures under any law for the time being in force.*

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**\* DEFINITIONS/ ABBREVIATIONS**

|                               |   |
|-------------------------------|---|
| AY                            | Assessment Year   |
| Allotment/ Allot/<br>Allotted | The issue and allotment of the Bonds to the successful Applicants in the Issue  |
| Allottee                      | A successful Applicant to whom the Bonds are allotted pursuant to the Issue, either in full or in part  |
| Applicant/ Investor           | A person who makes an offer to subscribe the Bonds pursuant to the terms of this Disclosure Document and the Application Form.  |
| Application Form              | The form in terms of which the Applicant shall make an offer to subscribe to the Bonds and which will be considered as the application for allotment of Bonds in the Issue  |
| Bondholder(s)                 | Any person or entity holding the Bonds and whose name appears in the list of Beneficial Owners provided by the Depositories   |
| Beneficial Owner(s)           | Bondholder(s) holding Bond(s) in dematerialized form (Beneficial Owner of the Bond(s) as defined in clause (a) of sub-section of Section 2 of the Depositories Act, 1996)   |
| Board/ BoD/ BOD               | Board of Directors of the Corporation or a Committee constituted thereof  |
| Bond(s)                       | Government Of India Guaranteed, Unsecured, Listed, Redeemable Non-Convertible taxable Bonds in the Nature of Debentures of face value of Rs. 10.00 Lacs each ("Bonds")for series IV-D by Mahanagar Telephone Nigam Limited ("MTNL" or "Issuer") through private placement route under the terms of this Disclosure Document   |
| BSE                           | Bombay Stock Exchange Ltd.  |
| Record Date                   | Reference date for payment of interest/ repayment of principal  |
| CAG                           | Comptroller and Auditor General of India  |
| CDSL                          | Central Depository Services (India) Limited   |
| CMD                           | Chairman & Managing Director of MTNL  |
| Debt Securities               | Non-Convertible debt securities which create or acknowledge indebtedness and include debenture, bonds and such other securities of a body corporate or any statutory body constituted by virtue of a legislation, whether constituting a charge on the assets of the Issuer or not, but excludes security bonds issued by Government or such other bodies as may be specified by SEBI, security receipts and securitized debt instruments |
| DDA                           | Deemed Date of Allotment  |
| Deemed Date of Allotment      | The cut-off date declared by the Issuer from which all benefits under the Bonds including interest on the Bonds shall be available to the Bondholder(s). The actual allotment of Bonds (i.e. approval from the Board of Directors or a Committee thereof) may take place on a date other than the Deemed Date of Allotment  |
| Depository                    | A Depository registered with SEBI under the SEBI (Depositories and Participant) Regulations, 1996, as amended from time to time   |
| Depositories Act              | The Depositories Act, 1996, as amended from time to time  |
| Depository Participant        | A Depository participant as defined under Depositories Act  |
| Disclosure Document           | Disclosure Document dated <b>24-11-2014</b> for private placement of Government Of India Guaranteed, Unsecured, Taxable, proposed to be Listed, Redeemable Non-Convertible Bonds in the Nature of Debentures of face value of Rs. 10.00 Lacs each ("Bonds")for series IV-D of Mahanagar Telephone Nigam Limited ("MTNL" or "Issuer") .  |
| DP                            | Depository Participant  |
| DRR                           | Bond/ Debenture Redemption Reserve  |



|   |   |
|---|---|
| Fls                                     | Financial Institutions  |
| FIIIs                                   | Foreign Institutional Investors   |
| Financial Year/ FY                      | Period of twelve months ending March 31, of that particular year  |
| Gol/ GOI                                | Government of India/ Central Government   |
| Trustees                                | Trustees for the Bondholders in this case being <b>SBICAP Trustee Co. Ltd.</b>  |
| CARE                                    | Credit Analysis & Research Limited  |
| CRISIL                                  | Credit Rating Information Services of India Limited   |
| Issuer/ MTNL                            | Mahanagar Telephone Nigam Limited having Registered & Corporate Office at Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi. 110003   |
| Listing Agreement                       | Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 and Amendments to Simplified Debt Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. SEBI/IMD/DOF-1/BOND/Cir-5/2009 dated November 26, 2009 and Amendments to Simplified Debt Listing Agreement for Debt Securities issued by Securities and Exchange Board of India vide circular no. SEBI/IMD/DOF-1/BOND/Cir-1/2010 dated January 07, 2010   |
| MF                                      | Mutual Fund   |
| MoF                                     | Ministry of Finance   |
| NSDL                                    | National Securities Depository Limited  |
| PAN                                     | Permanent Account Number  |
| GIR                                     | General Index Registration Number   |
| Rs./ INR/ `                             | Indian National Rupee   |
| RTGS                                    | Real Time Gross Settlement  |
| Registrar                               | Registrar to the Issue, in this case being Investor Services of India Limited   |
| SEBI                                    | The Securities and Exchange Board of India, constituted under the SEBI Act, 1992  |
| SEBI Act                                | Securities and Exchange Board of India Act, 1992, as amended from time to time  |
| SEBI Debt Regulations                   | Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular No. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012 as amended CIR/IMD/DF/18/2013 Dated October 29, 2013 and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014 and other related regulations. |
| TDS                                     | Tax Deducted at Source  |
| The Companies Act                       | The Companies Act, 2013, as amended from time to time and the Companies Act 1956 (wherever applicable)  |
| The Issue/ The Offer/ Private Placement | Private Placement of Government Of India Guaranteed, Unsecured, to be listed, Redeemable Non-Convertible, taxable Bonds in the Nature of Debentures of face value of Rs. 10.00 Lacs each by Mahanagar Telephone Nigam Limited (“MTNL” or “Issuer”) of Rs. 500 Crores with green shoe option i.e. to retain over subscription up to another Rs 1768.90 Crores in series IV-D issued in tranches aggregating to Rs.2,268.90 Crores.   |



**\* DISCLAIMER**

**1. DISCLAIMER OF THE ISSUER**

This Disclosure Document is neither a Prospectus nor a Statement in Lieu of Prospectus and is prepared in accordance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012, as amended CIR/IMD/DF/18/2013 Dated October 29, 2013, Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014 and other related regulations.

This Disclosure Document does not constitute an offer to public in general to subscribe for or otherwise acquire the Bonds to be issued by Mahanagar Telephone Nigam Limited (“MTNL” / the “Issuer”). This Disclosure Document is for the exclusive use of the addressee and restricted for only the intended recipient and it should not be circulated or distributed to third party (ies). It is not and shall not be deemed to constitute an offer or an invitation to the public in general to subscribe to the Bonds issued by the Issuer. This bond issue is made strictly on private placement basis. Apart from this Disclosure Document, no offer document or prospectus has been prepared in connection with the offering of this bond issue or in relation to the issuer.

This Disclosure Document is not intended to form the basis of evaluation for the prospective subscribers to whom it is addressed and who are willing and eligible to subscribe to the bonds issued by MTNL. This Disclosure Document has been prepared to give general information regarding MTNL to parties proposing to invest in this issue of Bonds and it does not purport to contain all the information that any such party may require. MTNL believes that the information contained in this Disclosure Document is true and correct as of the date hereof. MTNL does not undertake to update this Disclosure Document to reflect subsequent events and thus prospective subscribers must confirm about the accuracy and relevancy of any information contained herein with MTNL. However, MTNL reserves its right for providing the information at its absolute discretion. MTNL accepts no responsibility for statements made in any advertisement or any other material and anyone placing reliance on any other source of information would be doing so at his own risk and responsibility.

Prospective subscribers must make their own independent evaluation and judgment before making the investment and are believed to be experienced in investing in debt markets and are able to bear the economic risk of investing in Bonds. It is the responsibility of the prospective subscriber to have obtained all consents, approvals or authorizations required by them to make an offer to subscribe for, and purchase the Bonds. It is the responsibility of the prospective subscriber to verify if they have necessary power and competence to apply for the Bonds under the relevant laws and regulations in force. Prospective subscribers should conduct their own investigation, due diligence and analysis before applying for the Bonds. Nothing in this Disclosure Document should be construed as advice or recommendation by

the Issuer or by the Arrangers to the Issue to subscribers to the Bonds. The prospective subscribers also acknowledge that the Arrangers to the Issue do not owe the subscribers any duty of care in respect of this private placement offer to subscribe for the bonds. Prospective subscribers should also consult their own advisors on the implications of application, allotment, sale, holding, ownership and redemption of these Bonds and matters incidental thereto.

This Disclosure Document is not intended for distribution. It is meant for the consideration of the person to whom it is addressed and should not be reproduced by the recipient and the contents of this information memorandum shall be kept utmost confidential. The securities mentioned herein are being issued on private placement Basis and this offer does not constitute a public offer/ invitation.

The Issuer reserves the right to withdraw the private placement of the bond issue prior to the issue closing date(s) in the event of any unforeseen development adversely affecting the economic and regulatory environment or any other force majeure condition including any change in applicable law. In such an event, the Issuer will refund the application money, if any, along with interest payable on such application money, if any.

## **2. DISCLAIMER OF THE SECURITIES & EXCHANGE BOARD OF INDIA**

This Disclosure Document has not been filed with Securities & Exchange Board of India ("SEBI"). The Bonds have not been recommended or approved by SEBI nor does SEBI guarantee the accuracy or adequacy of this Disclosure Document. It is to be distinctly understood that this Disclosure Document should not, in any way, be deemed or construed that the same has been cleared or vetted by SEBI. SEBI does not take any responsibility either for the financial soundness of any scheme or the project for which the Issue is proposed to be made, or for the correctness of the statements made or opinions expressed in this Disclosure Document. The Issue of Bonds being made on private placement basis, filing of this Disclosure Document is not required with SEBI. However SEBI reserves the right to take up at any point of time, with the Issuer, any irregularities or lapses in this Disclosure Document.

## **3. DISCLAIMER OF THE ARRANGERS TO THE ISSUE**

It is advised that the Issuer has exercised self due-diligence to ensure complete compliance of prescribed disclosure norms in this Disclosure Document. The role of the Arrangers to the Issue (collectively referred to as "Arrangers"/ "Arrangers to the Issue") in the assignment is confined to marketing and placement of the bonds on the basis of this Disclosure Document as prepared by the Issuer. The Arrangers have neither scrutinized/ vetted nor have they done any due-diligence for verification of the contents of this Disclosure Document. The Arrangers shall use this Disclosure Document for the purpose of soliciting subscription from a particular class of eligible investors in the Bonds to be issued by the Issuer on private placement basis. It is to be distinctly understood that the aforesaid use of this Disclosure Document by the Arrangers should not in any way be deemed or construed that the Disclosure Document has been prepared, cleared, approved or vetted by the Arrangers; nor do they in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this Disclosure Document; nor do they take responsibility for the financial or other soundness of

this Issuer, its promoters, its management or any scheme or project of the Issuer. The Arrangers or any of their directors, employees, affiliates or representatives do not accept any responsibility and/or liability for any loss or damage arising of whatever nature and extent in connection with the use of any of the information contained in this Disclosure Document.

#### **4. DISCLAIMER OF THE STOCK EXCHANGE**

As required, a copy of this Disclosure Document has been submitted to the Bombay Stock Exchange. (Here-in-after referred to as "BSE") for hosting the same on its website. It is to be distinctly understood that such submission of the document with BSE or hosting the same on its website should not in any way be deemed or construed that the document has been cleared or approved by BSE; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of this document; nor does it warrant that this Issuer's securities will be listed or continue to be listed on the Exchange; nor does it take responsibility for the financial or other soundness of this Issuer, its promoters, its management or any scheme or project of the company. Every person who desires to apply for or otherwise acquire any securities of this Issuer may do so pursuant to independent inquiry, investigation and analysis and shall not have any claim against the Exchange whatsoever by reason of any loss which may be suffered by such person consequent to or in connection with such subscription/ acquisition whether by reason of anything stated or omitted to be stated herein or any other reason whatsoever.

#### **5. DISCLAIMER IN RESPECT OF JURISDICTION**

The private placement of Bonds is made in India to Companies, Corporate Bodies, Trusts registered under the Indian Trusts Act, 1882, Societies registered under the Societies Registration Act, 1860 or any other applicable laws, provided that such Trust/ Society is authorised under constitution/ rules/ byelaws to hold bonds in a Company, Indian Mutual Funds registered with SEBI, Indian Financial Institutions, Insurance Companies, Commercial Banks including Regional Rural Banks and Cooperative Banks, Provident, Pension, Gratuity, Superannuation Funds as defined under Indian laws. The Information Memorandum does not, however, constitute an offer to sell or an invitation to subscribe to securities offered hereby in any other jurisdiction to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession this Information Memorandum comes is required to inform him about and to observe any such restrictions. Any disputes arising out of this issue will be subject to the exclusive jurisdiction of the courts at New Delhi. All information considered adequate and relevant about the Issuer Company has been made available in this Information Memorandum for the use and perusal of the potential investors and no selective or additional information would be available for a section of investors in any manner whatsoever.

#### **6. DISCLAIMER BY DEBENTURE TRUSTEE**

The debenture trustee is not a guarantor and will not be responsible for any non-payment of interest and redemption and/or any loss or claim.

## **7. DISCLAIMER BY DOT**

In the event of any dispute or difference arising under this IM or in connection therewith (except as to the matters, the decision to which is specifically provided under this agreement), the same shall be referred to the sole arbitration of the CMD, MTNL or in case his designation is changed or his office is abolished, then in such cases to the sole arbitration of the officer for the time being entrusted (whether in addition to his own duties or otherwise) with the functions of the CMD, MTNL or by whatever designation such officer may be called (hereinafter referred to as the said officer), and if the CMD or the said officer is unable or unwilling to act as such then to the sole arbitration of some other person appointed by the CMD or the said officer. The agreement to appoint an arbitrator will be in accordance with the Arbitration and Conciliation Act 1996.

There will be no objection to any such appointment on the ground that the arbitrator is a Government servant or that he has to deal with the matter to which the agreement relates or that in the course of his duties as a Government servant he has expressed his views on all or any of the matters in dispute. The award of the arbitrator shall be final and binding on both the parties to the agreement. In the event of such an arbitrator to whom the matter is originally referred, being transferred or vacating his office or being unable to act for any reason whatsoever, the CMD, MTNL or the said officer shall appoint another person to act as an arbitrator in accordance with the terms of the agreement and the person so appointed shall be entitled to proceed from the stage at which it was left out by his predecessor.

The arbitrator may, from time to time with the consent of both the parties, enlarge the time frame for making and publishing the award. Subject to the aforesaid, Arbitration and Conciliation Act 1996 and the rules made there under, any modification thereof for the time being in force shall be deemed to apply to the arbitration proceeding under this clause.

The venue of the arbitration proceeding shall be the office of the CMD, MTNL at New Delhi or such other places as the arbitrator may decide.

### **FORWARD LOOKING STATEMENTS**

Certain statements contained in the Information Memorandum that are not statements of historical fact constitute 'Forward-looking statements'. Investors can generally identify forward-looking statements by terminology such as 'aim', 'anticipate', 'believe', 'continue', 'could', 'estimate', 'expect', 'intend', 'may', 'objective', 'plan', 'Potential', 'project', 'pursue', 'shall', 'seek,' 'should', 'will', 'would', or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, revenue and profitability, new business and other matters discussed in the Information Memorandum that are not historical facts. All forward-looking statements are subject to risks, uncertainties and Assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statement. Important factors that could cause actual results to differ materially from our expectations include, among others:

- Our ability to encounter the stiff competitions in Telecom markets in India and the countries of our operation.
- Our ability to comply with certain specific conditions prescribed by the Government of India (“**GoI**”) in relation to our business or any changes in laws and regulations applicable to companies in India, including foreign exchange control regulations in India;
- Volatility in interest rates for our borrowing and investment operations as well as the rates at which our Company borrows from banks/financial institutions;
- Limited recourse/recovery in the event of default by our customers/subscribers;
- Possible contingent liabilities and uninsured losses;
- Credit and market risks, affecting our credit ratings and our cost of funds;
- Unavailability of financing at commercially acceptable terms, or at all;
- Concentration of our exposure to certain sections, areas and customers;
- Foreign currency borrowings activities, which will expose us to fluctuations on foreign exchange rates;
- Changes in political conditions in India and internationally;
- Governmental and regulatory actions that may affect our business or our industry;
- Other factors discussed in this document including under “*Risk Factors*”.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “***Our Business***”. The forward-looking statements contained in the Information Memorandum are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management. Although our Company believes that the expectations reflected in such forward-looking statements are reasonable at this time, our Company cannot assure Investors that such expectations will prove to be correct. Given these uncertainties, Investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

## **RISK FACTORS**

*You should carefully consider all the information in the Information Memorandum, including the risks and uncertainties described below, before making an investment in the Bonds. The risks and uncertainties described in this section are not the only risks that we currently face. Additional risks and uncertainties not known to our Company or that our Company currently believes to be immaterial may also have an adverse effect on its business, prospects, results of operations and financial condition. If any of the following or any other risks actually occur, our Company’s business, prospects, results of operations and financial condition could be adversely affected and the price and value of your investment in the Bonds could decline such that you may lose all or part of your investment.*

*The financial and other related implications of risks concerned, wherever quantifiable, have been disclosed in the risk factors mentioned below. However, there are certain risk factors where such implications are not quantifiable and hence any quantification of the underlying risks has not been disclosed in such risk factors. The numbering of risk factors has been done*

*to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another.*

*You should not invest in the Issue unless you are prepared to accept the risk of losing all or part of your investment and you should consult your own tax, financial and legal advisors about the particular consequences of an investment in the Bonds.*

*Unless otherwise stated, our financial information used in this section is derived from our audited financial information, prepared in accordance with accounting standards generally accepted in India.*

As this proposed issue of Bonds is backed by Sovereign Guarantee by Govt. of India vide letter dated 22<sup>nd</sup> October 2014 without levying of Guarantee fees and bullet repayment of principal by the Government at the end of the tenure along with the debt servicing (as per the terms stipulated in the office memorandum issued by Budget Division, DEA, Ministry of Finance dated 21<sup>st</sup> October 2014) there is no inherent default risk as far as the repayment and debt servicing is concerned. However as per the DIP guidelines of SEBI the possible and probable risk factors should form the part of the disclosures outlined in this information memorandum. Keeping the above thing in view the we have already outlined the risks associated with our business and operation in the Forward Looking Statements which in turn we believe have no probable/possible impact on the proposed issue of bonds as far as the repayment of principal and debt servicing is concerned as the sole liability is of the Govt of India.

#### **CERTAIN LEGAL ISSUES:-**

1. As per the present Govt. policy MTNL may be required to pay one time spectrum charges for the 2G spectrum held beyond 4.4 MHz w.e.f 01.07.2008 till expiry of CMTS license i.e. 09.10.2017. MTNL was holding 8.0 MHz regular 2G spectrum till 13.01.2013 and 8.4 Mhz w.e.f 14.01.2013. Based on the auction prices MTNL may be required to pay around Rs 1329.28 Cr (for both Delhi & Mumbai) towards payment of one time spectrum charges w.e.f. 01.07.2008 till expiry of CMTS license i.e. upto 09.10.2017. Presently, the issue of payment of one time spectrum charges is under litigation and the payment liability will be subject to outcome of the case. Further keeping in view its present financial condition, MTNL has conveyed to DOT its inability to pay one time spectrum charges and has sought assistance of the Govt in the matter.

In addition to above, as per present policy, at the time of renewal of CMTS license, MTNL may be required to pay one time spectrum charges for the quantum of spectrum it intends to retain for 20 years. As per the recent auction determined price, this liability comes out to be around Rs. 9484.31 Cr. for retaining 8.4 MHz (6.2-900 MHz +2.2 -1800 MHz) 2G spectrum for both Delhi and Mumbai from 10.10.2017 to 09.10.2037.

2. Legal proceedings covering a wide range of matters are pending or threatened against us. We have accrued amounts as appropriate that represent our estimate of the probable outcome of these matters. The judgments we make with regard to whether to establish a reserve are based on an evaluation of all relevant factors by internal and external legal counsel, as well as subject matter experts and is based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. Claims are continually monitored and reevaluated as new information is obtained. We may not establish a liability

for a particular matter until long after the litigation is filed, once a liability becomes probable and estimable. The actual settlement of such matters could differ from the judgments made in determining how much, if any, to accrue. We do not believe these proceedings will have a material adverse effect on our consolidated financial position. While we believe that our accruals for these matters are adequate, if the actual loss from a loss contingency is significantly different than the estimated loss, our results of operations may be over or understated.

3. Our Company is currently involved in certain proceedings and claims in India pending at different levels of adjudication before various authorities. Additionally, should any new development arise against us by appellate courts or tribunals, we may need to make provisions in our financial statements, which may reduce our profitability. We can give no assurance that these legal proceedings will be decided in our favour. Any adverse outcome in any or all of these proceedings may affect our business, results of operations and financial condition.

#### **(A). ISSUER INFORMATION**

**Name of the Issuer** : **MAHANAGAR TELEPHONE NIGAM LTD.**  
**Registered & Corporate Office Address:**  
Mahanagar Doorsanchar Sadan  
9, CGO Complex, Lodhi Road, New Delhi 110003  
Tel.: 011-24319020; Fax: 011-24324243  
Website: [www.mtnl.net.in/](http://www.mtnl.net.in/) [www.bol.net.in](http://www.bol.net.in)  
E-mail: [mtnligr@bol.net.in](mailto:mtnligr@bol.net.in)

**Compliance Officer for the Issue** : **Mr. S R Sayal (Company Secretary)**  
Phone No: 011-24317225  
Fax No: 011-24315655  
Email: [mtnlcsco@gmail.com](mailto:mtnlcsco@gmail.com)

**Chief Financial Officer of the Issue** : **Mr. Pravin Kumar Purwar (CMD & Director Finance)**  
Ph no: 011-24321095  
Fax No: 011-24328361  
Email: [dirfinco@bol.net.in](mailto:dirfinco@bol.net.in)

**Arranger to the Issue:** **1. Barclays Bank PLC**  
Mumbai Branch  
801/808 Ceejay House, Shivsagar Estate,  
Dr Annie Besant Road, Worli Mumbai 400 018 India  
Tele No. 022-67196261  
Fax No. 022-67196185  
Rakesh Garg  
Managing Director  
E mail Address: [hardik.dalal@barclays.com](mailto:hardik.dalal@barclays.com)  
Website: [www.barclays.co.in](http://www.barclays.co.in)



**2. A. K. CAPITAL SERVICES LTD.**

609, 6th Floor, Antriksh Bhawan  
22, Kasturba Gandhi Marg  
New Delhi –110 001  
Tel: (011) 23739628, 23730748  
Fax: (011) 23739627  
Pankaj Agrawal  
Senior Vice President  
E mail Address: akdelhi@akgroup.co.in  
akmumbai@akgroup.co.in  
Website: [www.akcapindia.com](http://www.akcapindia.com)

**3. DEUTSCHE BANK AG**

2nd Floor, Deutshe bank House, Hararimal Somani Marg  
Fort, Mumbai- 400 001  
Tele No. 022-71804271  
Fax No. 022-71804884  
Sarath Pendyala  
Vice President  
E mail Address  
sarath.pendyala@db.com  
Website: [www.db.com](http://www.db.com)

**4. TRUST INVESTMENT ADVISORS PVT. LTD.**

109/110, 1st Floor, Balarama,  
Village Parigkhari;  
Bandra Kurla Complex,  
Bandra (East), Mumbai – 400 051  
Tel : 022-40845000;  
Fax : 022-40845066/07  
Sumit Singh  
Senior Relationship Manager  
Email: sumit.singh@trustgroup.co.in  
Website: [www.trustgroup.co.in](http://www.trustgroup.co.in)

**5. The Hongkong and Shanghai Banking Corporation Limited,  
India (HSBC India).**

52, 60, HSBC India Ltd Building,  
Mahatma Gandhi Road,  
Fort, Mumbai – 400001  
Tele No.022-40854244  
Fax No.022-22623339  
Vineet Patwari  
Director  
Capital Market, India  
E mail Address: vineet1patwari@hsbc.co.in  
Website: [www.hsbc.co.in](http://www.hsbc.co.in)

**6. AXIS BANK LTD**

13<sup>th</sup> Floor, Statesman House, barakhamba Road  
Corporate Office, New Delhi - 110 001  
Tele No. 011-43682437  
Fax No. 011-43682411  
Rohit Srivastava  
Asst. Vice President-DCM & ET  
E mail Address: rohit1.srivastava@axisbank.com  
**Website:**[www.axisbank.com](http://www.axisbank.com)

**7. ICICI BANK**

ICICI Bank Towers,  
Bandra-Kurla Complex,  
Mumbai 400 051.  
Tele No. 022-26531027  
Fax No. 022-26531063  
Manisha Patel Kochhar  
Senior Manager  
E mail Address: gmgfixedincome@icicibank.com  
**Website :** [www.icicibank.com](http://www.icicibank.com)

**Trustee of the issue**

**: SBICAP Trustee Co. Ltd.**  
Apeejay House, 6<sup>th</sup> Floor, West wing  
3, Dinshaw Wachha Road  
Churchgate,  
Mumbai - 400 020  
Tel: 022-4302 5555; Fax: 022-4302 5500  
Email: [corporate@sbicaptrustee.com](mailto:corporate@sbicaptrustee.com)

**Registrar to the Issue**

**: Karvy Computershare Pvt. Ltd.**  
17-24, Vittal Rao Nagar, Madhapur,  
Hyderabad – 500081  
Tel: 91-40-44655000; Fax: 91-40-23431551  
Email: [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

**Credit rating Agency**

**: CARE and CRISIL**

|   |   |
|---|---|
|  | <p>CREDIT ANALYSIS &amp; RESEARCH LTD<br/>4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off<br/>Eastern Express Highway, Sion (East), Mumbai- 400022.<br/>Tel : +91-022- 6754 3456<br/>Fax : +91-022- 6754 3457<br/>E-mail: care@careratings.com</p> |
|---|---|



CRISIL House,  
Central Avenue,  
Hiranandani Business Park,  
Powai, Mumbai- 400 076  
INDIA  
Phone : 91-22-3342 3000  
Fax : 91-22-3342 3001

**Auditors of the Issuer :**

| Name                            | Address   |
|---------------------------------|---|
| M/S Arun K Agarwal & Associates | 105, South Ex Plaza -1,389, Masjid Moth South Ex Part – II, New Delhi – 110 024 |
| M/S.V. K. Dhingra & Co.         | 1-E/15, Jhandewalan Extension, New Delhi – 110055                               |

**(B). BRIEF SUMMARY OF BUSINESS/ ACTIVITIES OF ISSUER AND ITS LINE OF BUSINESS:**

**(i) OVERVIEW:**

MTNL was set up on 1st April, 1986 by the Government of India to upgrade the quality of telecom services, expand the telecom network, introduce new services and to raise revenue for telecom development needs of India's key metros i.e . Delhi, the political capital and Mumbai, the business capital of India.

MTNL is the principal provider of fixed-line telecommunication service in the two Metropolitan Cities of Delhi and Mumbai. It offers mobile services in the city of Delhi including four peripheral towns Noida, Gurgaon, Faridabad & Ghaziabad and the Mumbai city along with the areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation.

The authorized capital of the Company is Rs. 800 crores. The Paid up Share Capital is Rs. 630 crores divided into 63 crores share of Rs. 10 each. At present, 56.25% equity shares are held by President of India & his nominees and remaining 43.75% shares are held by FIIs, Financial Institutions, Banks, Mutual Funds and others including individual investors. MTNL has been given Navratna status in 1997.

In more than two and half decades of its operations, there has been all-round development & growth and improved operational efficiency. Presently, MTNL is providing a host of telecom services that include fixed telephone service, GSM (including 3G services) & CDMA based Mobile service, Internet, Broadband, ISDN and Leased Line services., MTNL has been in the forefront of offering state of the art technology based telecommunications services to its customers at most affordable prices. MTNL has been the first to launch some of the latest telecom technologies in the country like ADSL2+ & VDSL2 in broadband, IPTV on MPEG4 technology, VOIP and 3G Mobile service.

MTNL is proud to be associated with the Common Wealth Games (CWG)-2010 as its Official Telecom Partner to set up a world class communication infrastructure to meet out the broadcast and telecom requirement of the event.

After completion of the games the network elements are used to strengthen / augment the exiting IP / MPLS backbone networks of MTNL in Delhi & Mumbai enabling MTNL to meet all its current and future requirements as well as to facilitate it to provide wholesale bandwidth connectivity to other telecom operators, Banks, Corporate Houses and various other Govt Agencies on lease or rental basis support.

MTNL is providing telecommunications beyond boundaries through its Joint Ventures and Subsidiaries. MTNL is present in Nepal through its Joint Venture United Telecom Limited (UTL) and in Mauritius through its 100% subsidiary Mahanagar Telephone Mauritius Limited (MTML).

In the past 28 years, the company has taken rapid strides to emerge as India's leading and one of Asia's largest telecom operating companies. Besides having a strong network, MTNL has maintained customer base of **6.96 million as on 30<sup>th</sup> September, 2014.**

The company has also been in the forefront of technology induction by converting 100% of its telephone exchange network into the state-of-the-art digital mode.

The Govt. of India currently holds 56.25% stake in the company.

MTNL is listed on the Indian Stock Exchanges i.e., National Stock Exchange (NSE), Bombay Stock Exchange (BSE) & OTCQX International Market and its applications for delisting from Delhi, Kolkatta and Madras Stock exchanges are pending.

#### **MISSION:**

To remain market leader in providing world class Telecom and IT related services at affordable prices and to become a global player.

#### **VISION:**

To be a leading integrated player in telecom, diversifying into related businesses in order to expand significantly, keeping customer delight as the aim.

#### **OBJECTIVES:**

1. To expand the existing customer base and services.
2. To provide services to the customers based on the latest technology.
3. To achieve highest level of customers' satisfaction.
4. To facilitate introduction of state of art technologies and services through pilot projects so as to increase market share.
5. To improve productivity by training and redeployment of manpower.
6. To provide better corporate governance.
7. To strengthen company's financial position by way of gainful utilization of its assets.

#### **CORPORATE GOVERNANCE**

MTNL has been following the principles of Corporate Governance. As it is understood, the principles and Corporate Governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions via its stake holders, in particular its shareholders, creditors, customers, the state and employees.

The major constituents/components of Corporate Governance include:

- 1) Constitution of the Board of Directors.
- 2) Key information that are being reported to and are placed before the Board of Directors.
- 3) Proper functioning of Audit Committee.
- 4) Transparency and desirable disclosures by the company.

At present, MTNL Board consists of Five Directors which include two functional directors two government nominees and one independent director. The additional charge of CMD is given to Director (F) at present.. The meetings of the Board are held regularly, as per the agenda and their importance. Besides regular Board Meeting, emergency Board meetings are held as and when required. The information, which are reported to and placed before the Board includes: -

- 1) Annual Plans, revenue, capital budgets, manpower and over-head budgets and manpower requirements.
- 2) Quarterly results of the company as a whole and its operating divisions.
- 3) Internal audit reports.

There is a separate Internal Audit group formed & functioning in the company under whose jurisdiction member of independent Chartered Accountants Firms are appointed by the company to carry out audit of various departments of the company both in Delhi & Mumbai as well as Corporate Office.

Apart from the internal audit, the company is also subjected to Govt. Audits and other audits/examination by Parliamentary Committees. Company has to report its monthly, quarterly and yearly achievements in terms of financial and physical parameters to DoT and Department of Public Enterprises (DPE).

Hence, it can be seen that the company functions in a most transparent manner. Two most important claimants to any company are creditors and shareholders and the Corporate Governance and good corporate practice must satisfy both these claimants. In this regard, MTNL has a unique distinction of servicing its shareholders. The company has evolved its own Insider Trading Code as per SEBI Rules & Regulations.

| <b><u>HISTORICAL DEVELOPMENT</u></b> |   |
|--------------------------------------|---|
| <b>1911</b>                          | Establishment of Delhi telephones system with manual exchange       |
| <b>1926</b>                          | Opening of 1st automatic exchange (Lothian exchange)                |
| <b>1937</b>                          | Opening of Connaught Place exchange.                                |
| <b>1945</b>                          | First Manual Trunk exchange opened.                                 |
| <b>1950</b>                          | Opening of Cantt exchange   |
| <b>1953</b>                          | Tiz Hazari Exchange (Lothian exchange ceased working) commissioned. |
| <b>1955</b>                          | Secretariat exchange commissioned                                   |
| <b>1958</b>                          | Karol Bagh exchange (SXS) commissioned.                             |
| <b>1961</b>                          | JorBagh exchange (SXS) commissioned.                                |
| <b>1961</b>                          | Shahadara exchange (SXS) commissioned.                              |
| <b>1962</b>                          | Opening of First STC service to Agra.                               |
| <b>1963</b>                          | Delhi Gate (27) exchange commissioned.                              |
| <b>1964</b>                          | Delhi telephone crosses 50,000 lines.                               |

|             |  |
|-------------|--|
| <b>1966</b> | Opening of exchanges at Nangloi, Narela, Najafgarh, Bahadurgarh and Ballabgarh.  |
| <b>1967</b> | Rajpath (38) exchange commissioned   |
| <b>1968</b> | 1st X-Bar exchange (KB58) commissioned. X-Bar exchange (JB62) commissioned   |
| <b>1969</b> | Trunk automatic exchange (TAX) commissioned  |
| <b>1970</b> | Okhla X-Bar exchange commissioned.   |
| <b>1972</b> | Opening of Idgah-I (51) Strowger exchange.   |
| <b>1972</b> | X-Bar (31) Janpath-I exchange commissioned. Delhi telephones crosses 1 lac lines.  |
| <b>1973</b> | Opening of X-Bar (67) ChanakyaPuri exchange.   |
| <b>1975</b> | X-Bar Janpath-IV (34) exchange commissioned. X-Bar Shahdara East (20) exchange commissioned.   |
| <b>1976</b> | Shakti Nagar (74) exchange commissioned. Idgah-II (52) X-Bar exchange inaugurated by Mr. Fakhuriddin Ali Ahmed, President of India, on 28.8.76 and presided over by Mr. S.D. Sharma (Minister of Communications).<br>Opening of Shahdara East (20) Extension-I, X-Bar exchange on 31.8.76. It was inaugurated by Mr. H.K.L Bhagat (Minister of State for Works & Housing) and Mr. S.D. Sharma (Minister of Communications).<br>Opening of HauzKhas (65) X-Bar exchange on 18.10.76. It was inaugurated by Mr. S.D. Sharma (Minister of Communications) and presided over by Mr. Radha Raman (Chief Executive Councillor, Delhi). |
| <b>1977</b> | Opening of STD Service to Indore and Ambala on 5.10.77 by Mr. BrijLalVerma (Minister of Communications).   |
| <b>1978</b> | Opening of Rajouri Garden-I (59) X-Bar exchange in Feb 78<br>Opening of Hauz Khas -II (66) X-Bar exchange on 15.2.78, by Mr. Brij Lal Verma (Minister of Communications).<br>Opening of Janpath-V (35) X-Bar exchange.<br>Opening of Nehru Place (68) Strowger exchange on 4.11.78 by Mr. BrijLalVerma (Minister of Communications) and presided over by Mr. R.K. Gupta (Mayor of Delhi).  |
| <b>1986</b> | Creation of Mahanagar Telephones Nigam Limited   |
| <b>1986</b> | First digital exchange world technology brought to India   |
| <b>1987</b> | Largle Scale introduction of push button telephone made dialing easier.  |
| <b>1988</b> | Phone Plus services multiplied benefits to telephone users.  |
| <b>1992</b> | Voice Mail Service Introduced  |
| <b>1996</b> | ISDN services introduced   |
| <b>1997</b> | Wireless in Local loop introduced  |
| <b>1999</b> | Internet services introduced.  |
| <b>2000</b> | Millennium Telecom Limited, a wholly owned subsidiary of MTNL is born  |
| <b>2001</b> | Launched GSM Cellular Mobile service under the brand name Dolphin<br>Launched WLL Mobile services under the brand name Garuda.<br>United telecom ltd.,MTNL Joint venture in Nepal, for providing WLL based services in Nepal became operational.<br>CLI based Internet express services introduced.  |

|             |  |
|-------------|--|
| <b>2002</b> | Launched pre-paid GSM Mobile services under the brand name Trump.<br>Email on PSTN lines introduced under the brand name mtnlmail.<br>Providing CDMA based Fixed & Mobile service in Nepal through its JV UTL, Nepal   |
| <b>2003</b> | Introduced CDMA 1x 2000 Technology under the brand name Garuda 1-x.<br>Introduced pilot project of ADSL based Broadband services. Introduced Virtual Phone services. Mahanagar Telephone Mauritius Ltd. bagged second operator license in Mauritius.   |
| <b>2004</b> | Expanded GSM & CDMA capacity by 800,000 lines each (total 1.6 million lines expanded) STD/ISD rates slashed by almost 60%. MTNL subsidiary MTML obtained license to provide fixed, mobile & ILD services in Mauritius. Launched Wi-Fi & digital certification services. State of the art training centre CETTM commissioned. |
| <b>2005</b> | Leading market in GSM customer additions.<br>Launched broadband services under the brand name TRI BAND.<br>Launch of ADSL2+ based broadband service, as on date have largest market share in Delhi & Mumbai (56%).<br>Floated tender for 1 million 3G GSM lines.   |
| <b>2006</b> | First operator to launch IPTV Service in country   |
| <b>2008</b> | Offer Wi fi based Hot Spot Service   |
| <b>2009</b> | First operator to launch 3G Service  |
| <b>2010</b> | Exclusive telecom and data service provider in CWG games   |
| <b>2012</b> | Launch of FTTH Service<br>Deployment of Converged Billing System<br>Launch of 2G mobile service in MTML Mauritius.   |
| <b>2013</b> | Launch of Broadband on VDSL Technology with the speed of 10 mbps.<br>Missed Call Alert facility (MCA)  |
| <b>2014</b> | Free incoming facility will be available while roaming in MTNL network (Delhi and Mumbai LSA) for its own customers. The facility will be applicable both for prepaid and postpaid subscribers and for calls received from all operators from 26-01-2014.  |

### GROWTH AND ACHIEVEMENT

MTNL as a company, over the last **twenty eight** years, grew rapidly by modernizing the network through induction of State-of-the-art technologies and adopting a customer friendly approach.

| <b>PARTICULARS</b>                       | <b>1986</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>As of<br/>30.09.2014</b> |
|--|-------------|-------------|-------------|-------------|-----------------------------|
| 1.No of exchanges                        | 114         | 595         | 592         | 563         | 563                         |
| 2.Equipped capacity (Millions)           | 0.88        | 12.48       | 12.14       | 11.56       | 11.56                       |
| 3.Subscriber base (Millions)             | 0.75        | 9.29        | 8.46        | 6.91        | 6.96                        |
| i) Basic Wireline& CDMA Fixed (Millions) | 0.75        | 3.45        | 3.46        | 3.62        | 3.61                        |
| ii) CDMA-Mobile (Millions)               | -           | 0.13        | 0.095       | 0.049       | 0.048                       |
| iii) GSM Cellular (Millions)             | -           | 5.5         | 4.8         | 3.24        | 3.31                        |



|   |      |      |      |       |        |
|---|------|------|------|-------|--------|
| 4.Internet Dial-up(Millions)                              | -    | 0.89 | 0.88 | 0.88  | 0.0003 |
| 5.Broadband (Millions)                                    | -    | 1.04 | 1.12 | 1.17  | 1.18   |
| 6.Public Call Offices (Local and Long Distance)(Millions) | 0.01 | 0.21 | 0.15 | 0.143 | 0.140  |
| 7.Digitalization of exchange network                      | Nil  | 100% | 100% | 100%  | 100%   |

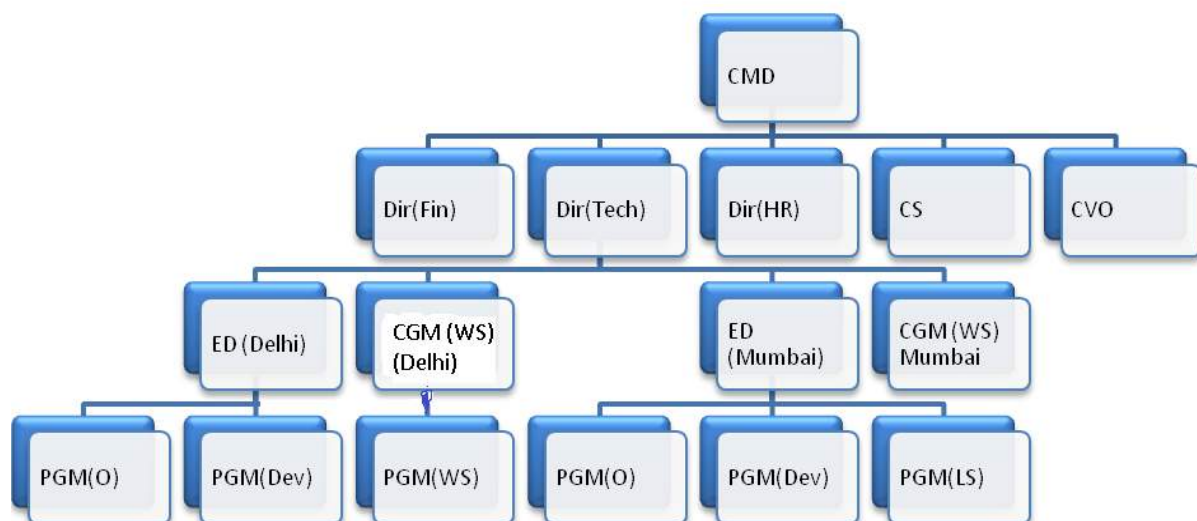
MTNL as Official Telecom Partner had successfully set up a world class communication infrastructure to meet the broadcast and telecom requirements such as carrying of High Definition TV stream, games data, and security requirements of the Common Wealth Games (CWG)-2010 held in Delhi from 3rd Oct -14th Oct 2010. After the conclusion of CWG-2010, the state of art IP/ MPLS equipment has been redeployed at different locations in Delhi for creating high capacity IP Bandwidth. With this redeployment, the POP locations on IP/MPLS network has increased to around 45 in Delhi thus bringing IP closer to the customers and helping reducing the local copper loop length to 1-2 kms.

### **COMMON CHARTER OF TELECOM SERVICES 2005**

1. MTNL as a service provider fully acknowledges the right of citizen to opt for the service provider of his choice and also assures to provide the best services to the subscribers.
2. Consumers are educated about their rights through Sanchar Haats in respect of the choices offered by MTNL. A booklet on Redressed Mechanism in Hindi & English has also been provided at all Sanchar Haats for awareness of the consumers. The same is available on MTNL Web site.
3. MTNL assures that privacy of its subscribers (not affecting the national security) shall be scrupulously guarded.
4. MTNL assures its subscribers full interaction with MTNL authorities personally or through their authorized representatives.
5. Consumers are provided all the rules regulations terms and conditions including all options/choice of plans etc., through Sanchar Haat at the time of submitting their application there at including information on consumer redress system for complaints and billing disputes along with the relevant contact nos.
6. MTNL has arranged for full human interface with company executives displaying their names and identity for process of disputes resolutions in addition to the arrangement like offering services through call centers.
7. MTNL agrees to inform their subscribers on each bill, their consumer grievance redress process w.r.t. fault complaints & billing disputes. MTNL also agrees to resolve the disputes as per the guidelines of TRAI issued time to time.
8. MTNL provides the basic telephone services within seven days of registration subject to technical feasibility however the mobile services are provided immediately subject to completion of all required formalities by the subscribers.
9. In MTNL the fault are cleared within 24 hours on receipt of the complaint from the subscriber wherever technically feasible.
10. Shifting of telephone connections with in same exchange, intra city exchange and intercity exchange are carried out within 3 working days, 5 working days and 30 working days respectively subject to the availability of the customers, premises are opened & papers are completed. Closures of telephones are done within 3 days subject to completion of all formalities

11. MTNL provides in its bills the related calls and tariff details, payment procedures including the locations where the subs. can make the payments.
12. In MTNL Jurisdiction the complaints are registered immediately if delivered in person or received by E-mail. In case the complaints are received by post the same are registered within 24 hours.
13. In MTNL the services are provided without any discrimination to every citizen as per his eligibility defined below and who undertakes to pay all charges and deposits.  
\*For the purpose of this clause a citizen shall be defined as an individual above the age of 18 or an institution, NGOs, or business/services organizations engaged in any activity which is permissible under laws of land.
14. MTNL provides complete information on directory service related to basic telephones. The complaints are booked in MTNL on TOLL free nos. IVRS.
15. In MTNL subscribers are provided satisfactory connectivity of its services and interconnectivity to the extent of its legal/obligations under the relevant interconnections agreements ensuring that subs do not suffer on account of poor services.
16. MTNL Levies reconnection charges as per the TTO/waives off the same on its own discretion.
17. MTNL allows emergency services like police, fire and ambulance for a period of 15 days during which in coming facility is allowed subject to technical feasibility even after the telephone connection is suspended.
18. It is obligatory on part of the subscribers to clear all dues within the specified time.
19. MTNL fully agrees to achieve the minimum bench mark prescribed by TRAI with respect to the quality of the services and also commits to improve upon the standard of the services at different points of time.
20. Mutual courtesy and respect, the hall mark of durable relationship between service provider and its subscribers is fully agreed to and MTNL abides by these principals. Common charter for telecom services is being followed in MTNL with full sincerity.

**(ii)CORPORATE STRUCTURE:**



**(iii) KEY OPERATIONAL AND FINANCIAL PARAMETERS FOR THE LAST 3 AUDITED YEARS***(Rs. in Millions)*

| Parameters   | As of<br>30.09.2014 | FY 2013-14 | FY 2012-13 | FY 2011-12 |
|--|---------------------|------------|------------|------------|
| Net worth  | 33951.10            | 50407.06   | -27844.25  | 25366.97   |
| Total Debt   | 15559.39            | 142104.40  | 117786.87  | 96474.93   |
| of which- Non Current Maturities<br>of Long Term Borrowing | 79100.00            | 81100.00   | 69373.50   | 70000.00   |
| Of which -Short Term Borrowing                             | 73593.90            | 60104.40   | 46013.37   | 26474.93   |
| -Current Maturities of<br>Long Term Borrowing              | 2900.00             | 900.00     | 2400.00    | -          |
| Net Fixed Assets (including WIP)                           | 110252.60           | 116035.18  | 158314.25  | 166571.70  |
| Non Current Assets (including non<br>current investment)   | 140546.10           | 134571.70  | 88611.76   | 83282.11   |
| Cash and Cash Equivalents                                  | 829.30              | 2463.11    | 1098.89    | 868.33     |
| Current Investments  | 200.00              | 200.00     | 200.00     | 2700.00    |
| Current Assets (Other than cash &<br>current investment)   | 21012.40            | 21092.87   | 15262.53   | 15649.24   |
| Current Liabilities  | 34508.50            | 32684.58   | 36801.59   | 35831.89   |
| Net sales (net revenue including<br>other income)          | 18116.40            | 37873.72   | 37140.83   | 36244.17   |
| EBITDA (before prior period)                               | -2600.40            | -5271.47   | -26445.38  | -15993.90  |
| EBIT (before prior period)                                 | -8396.20            | -16928.89  | -41214.80  | -30956.05  |
| Interest (Finance Cost)                                    | 7723.30             | 13901.48   | 11802.60   | 9491.62    |
| PAT (before prior period)                                  | -16119.50           | -30830.37  | -53017.39  | -40447.66  |
| Dividend amounts   | -                   | -          | -          | -          |
| Current ratio  | 0.65                | 0.74       | 0.48       | 0.46       |
| Interest coverage ratio                                    | -1.03               | 15.58      | -3.51      | -3.33      |
| Debt/equity ratio  | 24.24               | 22.41      | 18.32      | 15.31      |
| Debt Service Coverage Ratios                               | -0.98               | 11.69      | -3.51      | -3.33      |

**Debt: Equity Ratio of the Company\*:**

|                                     |       |
|-------------------------------------|-------|
| Before the issue of debt securities | 24.24 |
| After the issue of debt securities* | 24.24 |

*\*The proceeds of the issue shall be utilized primarily to discharge the existing loan liabilities hence there will be no change in the Debt/Equity ratio (post issue).*

**(iv) PROJECT COST AND MEANS OF FINANCING, IN CASE OF FUNDING OF NEW PROJECTS:**

As far as MTNL is concerned all the funds required for its projects are generated / managed from its' own resources. MTNL is not getting any Gross Budgetary Support (GBS) from Govt. till now and all its schemes / projects are being funded through its internal resources / arrangements. Money is withdrawn as and when needed for a project. MTNL has sought Govt. assistance for helping it to mobilize funds required for these projects to meet its CAPEX for 2014-15. Even though, there is a positive outlook on the MTNL's request; however, at

present there is no clarity on the modalities & timeframe on the Govt.'s assistance in this regard and it is expected that those issues are settled through the ongoing revival process.

#### **SUBSIDIARIES OF THE ISSUER ARE AS FOLLOWS:**

##### **(i) 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. The customer base of MTML has grown to 191,262 from 141,699 of last year. The market share has crossed 15% in voice and more than 30% in ILD Sector. MTML has launched its 3 GSM Services in this fiscal year.

In the year 2013-14, it is planning to add more network elements to ensure good quality service, taking into account the capacity utilization.

MTML has achieved revenue of INR 761 Million during this fiscal year 2013-14 compare to the last fiscal year revenue of INR 522.35 Million. Despite the intense competition and market getting saturated, the company could increase its revenue. However, the net profit (before tax) has increased to INR 37.42 Million from INR 19.19 Million (before tax) in this fiscal year. MTML has completed the construction of its administrative building (Ground+7 Floors) and moved into its building from July-2014 from the rented premises.

All the expenses of the company are paid by its own internal resources and CAPEX for procurement of equipments is also met. There is no debt liability on the company.

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.

##### **(ii) Millennium Telecom Ltd. (MTL)**

MTL was formed by MTNL as its wholly owned subsidiary company basically for providing internet

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 financial year 2013-14 the Board of MTL has proposed to enter into the new lines of business for increasing the revenue and making the Company profitable simultaneously. Some of the new work orders being undertaken by the company are as follows:

1. To start Bundled Services for MTNL products/services in which non-telecom components work will be executed by MTL .
2. To undertake the Data centers Leasing /Hiring of MTNL and other PSU telecoms like. M/s BSNL, ITI, MSITS.
3. To undertake remote monitoring of customer network.
4. Association with MTML for various works relating to Disaster Management, Video Surveillance and other Government projects.

MTL also proposes to get ISO 9000 certification, SMSE Registration, Risk Analysis and PMT. The Board of the company is working on the above line of business along with MTML and is hopeful to generate revenue in the years to come.

#### **FINANCIAL PERFORMANCE FOR THE FINANCIAL YEAR 2013-14**

MTL has suffered a Net loss of Rs.16,97,258/- for the financial year ended 31st March, 2014 as against the Net Loss of Rs.20,19,378 /- last year (2012-13).The company has earned other Income (Interest from Bank Fixed Deposit) amounting to Rs.18,39,036/- in the financial year ended 31<sup>st</sup> March, 2014 as against Rs.20,11,398/- last year.

#### **JOINT VENTURES OF THE ISSUER ARE AS FOLLOWS:**

##### **(i) United Telecommunication Ltd. (UTL)**

The Joint Venture is working for providing telecom service in Nepal based on CDMA technology.

UTL has total voice customer base of more than 506,459 (As per NTA MIS report dated 14.03.2013) in number and total data customer base is more than 56,059. UTL has more than 118 personnel consisting of telecom engineers and finance professionals and other support staffs. Apart from this, more than 110 people are working through outsourcing agencies for Fault Repair Services, Customer Care and Marketing of phones, security and campaigns. The Management closely monitors the overall performance of the network, quality of services, subscriber complaints, fault rates, BTS wise traffic and ILD traffic.

The Company is sustaining its operational expenses from internal revenue generation.

During the period ending 31st March 2014, the company has reported a net loss of INR 267.95 million after Tax.

##### **(ii) MTNL STPI IT SERVICES LTD (MSITS)**

MTNL STPI IT SERVICES LTD is a 50:50 Joint Venture company between Mahanagar Telephone Nigam Limited (MTNL) and Software Technology Parks of India(STPI). The main objective of the company is to provide data center services, messaging services, business application services etc. MSITS has established the physical infrastructure of the Data Center at Chennai and space taken on lease basis from STPI Chennai. The Data Center has server farm area of around 3400 sqft and the total investment made in this regard is of Rs.4.77 crores.

The commercial operation of the Data Center had commenced in 2009, the Ministry of External Affairs (MEA) has hosted its Passport Seva Project at MSITS Data Center through M/s TCS. The Data center is maintaining 99.98% uptime on 24X7. At present CEO and 2 officers on deputation from MTNL are on regular payrolls of the company and other operations are maintained through outsourcing. Total revenue of MSITS for the year 2013-14 is Rs.3.88 crores while it was Rs.3.60 crores during the year 2012-13.

In addition, MSITS is in the process of exploring avenues for business expansion with the collaboration of various business partners of the data center industry.

#### **(C) A BRIEF HISTORY OF THE ISSUER SINCE ITS INCORPORATION GIVING DETAILS OF IT'S FOLLOWING ACTIVITIES:-**

**i. DETAILS OF SHARE CAPITAL AS ON LAST QUARTER END (30.06.2014):-**

| Share Capital                                | Rs. In Crores |
|--|---------------|
| Authorized Share Capital                     | 800           |
| Issued, Subscribed and Paid-up Share Capital | 630           |

**ii. CHANGES IN ITS CAPITAL STRUCTURE AS ON LAST QUARTER END, FOR THE LAST FIVE YEARS:-**

| Date of Change (AGM/EGM) | Rs. | Particulars |
|--------------------------|-----|-------------|
| NIL                      | NIL | NIL         |

*Note: \*There has been no change in Capital Structure of MTNL in last five years.*

**iii. EQUITY SHARE CAPITAL HISTORY OF THE COMPANY AS ON LAST QUARTER END, FOR THE LAST FIVE YEARS:-**

| Sr. No   | Date of Allotment | No of Equity Shares | Face Value (Rs.) | Issue Price (In Rs) | Consideration (Cash, other than cash, etc) | Nature of Allotment | Cumulative           |                            |                               | Remarks |
|--|-------------------|---------------------|------------------|---------------------|--|---------------------|----------------------|----------------------------|-------------------------------|---------|
|  |                   |                     |                  |                     |  |                     | No. of Equity Shares | Equity share capital (Rs.) | Equity share premium (in Rs.) |         |
| There has been no allotment in last five years |                   |                     |                  |                     |  |                     |                      |                            |                               |         |

*Notes: There has been no allotment in last five years.*

**iv. DETAILS OF ANY ACQUISITION OR AMALGAMATION IN THE LAST 1 YEAR.**

NA

**v. DETAILS OF ANY REORGANIZATION OR RECONSTRUCTION IN THE LAST 1 YEAR:-**

| Type of Event | Date of Announcement | Date of Completion | Details |
|---------------|----------------------|--------------------|---------|
| NA            | NA                   | NA                 | NA      |

**(D) DETAILS OF THE SHAREHOLDING OF THE COMPANY AS ON THE LATEST QUARTER END (30.09.2014):**

**i. SHAREHOLDING PATTERN OF THE COMPANY AS ON LAST QUARTER END (30.09.2014)**

| Particulars  | No. of Shareholders | Total No. of Shares | Total No. of Shares held in Dematerialized Form | Total Shareholding as a % of Total No. of Shares |                   |
|--|---------------------|---------------------|---|--|-------------------|
|  |                     |                     |   | As a % of (A+B)                                  | As a % of (A+B+C) |
| <b>(A) Shareholding of Promoter and Promoter Group</b>                       |                     |                     |   |  |                   |
| <b>(1) Indian</b>  |                     |                     |   |  |                   |
| Central Government / State Government(s)                                     | 1                   | 354378740           | 354378740                                       | 57.31  | 56.25             |
| <b>Sub Total</b>   |                     |                     |   |  |                   |
| <b>(2) Foreign</b>   |                     |                     |   |  |                   |
| <b>Total shareholding of Promoter and Promoter Group (A)</b>                 | <b>1</b>            | <b>354378740</b>    | <b>354378740</b>                                | <b>57.31</b>                                     | <b>56.25</b>      |
| <b>(B) Public Shareholding</b>   |                     |                     |   |  |                   |
| <b>(1) Institutions</b>  |                     |                     |   |  |                   |
| Mutual Funds / UTI   | 6                   | 3800                | 100   | 0.00   | 0.00              |
| Financial Institutions / Banks   | 47                  | 132924162           | 132921962                                       | 21.47  | 21.10             |
| Foreign Institutional Investors  | 14                  | 5365607             | 5365607   | 0.87   | 0.85              |
| <b>Any Others (Specify)</b>  |                     |                     |   |  |                   |
| Stressed Assets Stabilisation Fund   | 2                   | 3500                | 3500  | 0.00   | 0.00              |
| <b>Sub Total</b>   | <b>69</b>           | <b>138297069</b>    | <b>138291169</b>                                | <b>22.34</b>                                     | <b>21.95</b>      |
| <b>(2) Non-Institutions</b>  |                     |                     |   |  |                   |
| Bodies Corporate   | 2020                | 31072326            | 31072326  | 5.02   | 4.93              |
| <b>Individuals</b>   |                     |                     |   |  |                   |
| Individual shareholders holding nominal share capital up to Rs. 1 LAC        | 138804              | 53658094            | 53590645  | 8.67   | 8.52              |
| Individual shareholders holding nominal share capital in excess of Rs. 1 LAC | 812                 | 33025643            | 33025643  | 5.34   | 5.24              |
| <b>Any Others (Specify)</b>  |                     |                     |   |  |                   |
| Trusts, Clearing Members &HUF  | 4290                | 6766745             | 6766745   | 1.09   | 1.08              |



|   |               |                  |                  |               |               |
|---|---------------|------------------|------------------|---------------|---------------|
| Foreign Corporate Bodies  | 1             | 21806            | 21806            | 0.00          | 0.00          |
| Non Resident Indians  | 1285          | 1792947          | 1792947          | .29           | .28           |
| Foreign Nationals   | 4             | 3500             | 3500             | 0.00          | 0.00          |
| <b>Sub Total</b>  | <b>147216</b> | <b>126341061</b> | <b>126273612</b> | <b>20.41</b>  | <b>20.05</b>  |
| <b>Total Public shareholding (B)</b>  | <b>147285</b> | <b>264638130</b> | <b>264564781</b> | <b>42.75</b>  | <b>42.01</b>  |
| <b>Total (A)+(B)</b>  | <b>147286</b> | <b>619016870</b> | <b>618943521</b> | <b>100.00</b> | <b>98.26</b>  |
| <b>(C) Shares held by Custodians and against which Depository Receipts have been issued</b> |               |                  |                  |               |               |
| <b>(1) Promoter and Promoter Group</b>  | <b>0</b>      | <b>0</b>         | <b>0</b>         | <b>0</b>      | <b>0.00</b>   |
| <b>(2) Public</b>   | <b>2</b>      | <b>10983130</b>  | <b>10983130</b>  | <b>N.A</b>    | <b>1.74</b>   |
| <b>Total (A)+(B)+(C)</b>  | <b>145778</b> | <b>630000000</b> | <b>629926351</b> | <b>N.A</b>    | <b>100.00</b> |

**(ii). LIST OF TOP 10 HOLDERS OF EQUITY SHARES OF THE COMPANY AS ON THE LATEST QUARTER END (30.09.2014):-**

| S. No | Name of Shareholders                    | Total No of Shares Equity Shares | No of Shares in Demat Form | Total Shareholding as % of total no of equity shares |
|-------|---|----------------------------------|----------------------------|--|
| 1.    | PRESIDENT OF INDIA                      | 35,43,78,740                     | 35,43,78,740               | 56.251   |
| 2.    | LIC OF INDIA FORTUNE PLUS SECURED FUND  | 11,85,14,713                     | 11,85,14,713               | 18.812   |
| 3.    | THE BANK OF NEW YORK MELLON             | 10,983,130                       | 10,983,130                 | 1.743  |
| 4.    | SHAREKHAN LIMITED                       | 7,915,532                        | 7,915,532                  | 1.256  |
| 5.    | UNITED INDIA INSURANCE COMPANY LTD      | 3,639,206                        | 3,639,206                  | 0.578  |
| 6.    | GENERAL INSURANCE CORPORATION OF INDIA  | 2,891,603                        | 2,891,603                  | 0.459  |
| 7.    | RAMCHAND K. POPLEY                      | 2,873,053                        | 2,873,053                  | 0.456  |
| 8.    | MV SCIF MAURITIUS                       | 2,821,607                        | 2,821,607                  | 0.448  |
| 9.    | THE NEW INDIA ASSURANCE COMPANY LIMITED | 1,994,544                        | 1,994,544                  | 0.317  |
| 10.   | ELARA INDIA OPPORTUNITIES FUND LIMITED  | 1,618,500                        | 1,618,500                  | 0.257  |

**(E) FOLLOWING DETAILS REGARDING THE DIRECTORS OF THE COMPANY:-****(i) DETAILS OF THE CURRENT DIRECTORS OF THE COMPANY AS ON 30.09.2014.**

| Sl.No | Name, Designation and DIN   | Age | Address   | Director of the Company Since | Details of other directorship  |
|-------|---|-----|---|-------------------------------|--|
| 1.    | <b>Shri P.K Purwar,</b><br>CMD & Director(Finance)<br><br>DIN 06619060                    | 49  | T-41 Atul grove Road<br>NewDelhi-110001                         | 01-June-13                    | Mahanagar Telephone Mauritius Ltd., MTNL STPI IT Services, United Telecom Ltd. |
| 2.    | <b>Shri Sunil Kumar,</b><br>Director(HR) & Director (Tech)<br><br>DIN NO.: 06628803       | 53  | T-35 Atul grove Road<br>NewDelhi-110001                         | 21-June-13                    | Millennium Telecom Ltd.<br>MTNL STPI IT Services Ltd.                          |
| 3.    | <b>Shri V. Umashankar,</b><br>Govt Director<br><br>DIN NO. 06553185                       | 46  | B-31, Nevedita Kunj,<br>Sector 10,R.K Puram,<br>NewDelhi-110022 | 15-Mar-13                     | Bharat Broadband Network Ltd.  |
| 4.    | <b>Shri Srikanta Panda</b><br>Govt Director<br><br>DIN NO.06992506                        | 50  | Qtr No. Y34,Hudco Place,Andrews Ganj,New Delhi – 110 049        | 08-Oct-14                     |  |
| 5.    | <b>Shri Sushil Kr.Shingal,</b><br>Non-official Part-time Director<br><br>DIN NO: 02260513 | 66  | D-8, Gulmohar Park,Ground Floor<br>New Delhi-110049             | 28-Sep-12                     |  |

**(i) DETAILS OF CHANGE IN DIRECTORS SINCE LAST THREE YEARS:-**

| Name, Designation and DIN  | Date of Ceasation / Resign/ Retirement | Date of Appointment (Director Since) | Remarks |
|--|--|--------------------------------------|---------|
| Sh. Kuldip Singh<br>T-37, Atul Grove Road,<br>New Delhi-110001<br>DIN 00304280 | 01.04.2013                             | 09.12.2009                           |         |

|   |            |            |   |
|---|------------|------------|---|
| Shri Venkitaraman S. Iyer,<br>902, Vishnu Towers, Bhakhdham Complex,<br>P.K.Road, Mulund (W), Mumbai-400080<br>DIN 00730501       | 30.07.2012 | 31.07.2009 | - |
| Shri Adit Jain,<br>F-63, Radhey Mohan Drive, Gadaipur Bandh<br>Road, Chatarpur, Mehrauli, New Delhi-<br>110074<br>DIN 00835144    | 30.07.2012 | 31.07.2009 | - |
| Shri T.S. Narayanasami,<br>7-A, 'The Lords', Sathyadev Avenue, R.A<br>Puram, Chennai-600028<br>DIN 01786981                       | 30.03.2013 | 29.03.2010 | - |
| Shri Rajan Saxena,<br>27/A/31, Takshila Apt, Mahakali Road,<br>Andheri (E) , Mumbai-400093<br>DIN 00784698                        | 30.03.2013 | 29.03.2010 | - |
| Shri Vijay Aggarwal,<br>E-29, Masjid Moth, GK-III, New Delhi-110048<br>DIN 03034727   | 30.03.2013 | 29.03.2010 | - |
| Shri Nirmal Kumar Joshi<br>D II / 153 Kaka Nagar, New Delhi- 110003<br>DIN03250336  | 10.08.2011 | 09.08.2010 | - |
| Smt. Usha Sahajpal,258, Narmada Apt.,<br>Alaknanda, New Delhi-110019<br>DIN 01776065  | 29.04.2011 | 30.04.2008 | - |
| Shri V. Umashankar<br>Jt. Secretary(T),Deptt. of Telecom.<br>Room No.316,Sanchar Bhawan,<br>NEW DELHI-110001.<br>DIN NO. 06553185 |            | 15-03-2013 | - |
| Smt. Anita Soni<br>T-41, Atul Grove Road, New Delhi- 110001<br>DIN 00301107   | 31.05.2013 | 26.04.2005 | - |
| Shri S P Pachauri<br>T-39, Atul Grove Road, New Delhi- 110001<br>DIN 01972385   | 31.10.2012 | 06.12.2007 | - |
| Shri Sushil Kr. Shingal<br>D-8, Gulmohar Park,Ground Floor, New Delhi-<br>110049.<br>DIN 02260513                                 |            | 28-09-2012 | - |
| Shri Malay Shrivastava<br>A-23,Nivedita Kunj, Sector-10,R K<br>Puram ,New Delhi-110022<br>DIN 03613917                            | 14.02.2013 | 10.08.2011 | - |

|   |            |            |   |
|---|------------|------------|---|
| Shri Kumar Sanjay Bariar<br>A-71, Navkunj Appartments, 87, IP Extension,<br>Patparganj Delhi 110092<br>DIN 05297242 | 17.05.2012 | 26.08.2014 | - |
| Smt Nirmala Pillai<br>405, MS Flats, K G Marg, New Delhi 110001<br>DIN 03613927                                     | 17.05.2012 | 10.08.2011 | - |
| Shri P.K. Purwar<br>B-22 Hudco Place<br>NewDelhi-110049<br>DIN NO. 06619060   |            | 01-06-2013 | - |
| Shri Sunil Kumar<br>286,Asian Games Village Ganpat Andhalkar<br>Block,NewDelhi-110049<br>DIN NO. 06628803           |            | 21-06-2013 | - |
| Shri A.K Garg,<br>8, Raisina Road NewDelhi-110001   | 05.12.2011 | 31.05.2014 | - |
| Shri Srikanta Panda<br>Qtr No. Y34,Hudco Place,Andrews Ganj,New<br>Delhi – 110 049                                  |            | 08-10-2014 |   |

**(F.) FOLLOWING DETAILS REGARDING THE AUDITORS OF THE COMPANY:-**

**(i) DETAILS OF THE AUDITOR OF THE COMPANY:-**

| Name                            | Address   | Auditors Since |
|---------------------------------|---|----------------|
| M/S Arun K Agarwal & Associates | 105, South Ex Plaza -1,389, Masjid Moth South Ex Part – II, New Delhi – 110 024 | 2011-12        |
| V. K. DHINGRA & CO.             | 1-E/15, Jhandewalan Extension, New Delhi – 110055                               | 2012-13        |

**(ii) DETAILS OF CHANGE IN AUDITOR SINCE LAST THREE YEARS:-**

| Name                            | Address   | Date of Appointment / Resignation | Date of Cessation | Auditor of the Company since ( in case of resignation) | Remarks |
|---------------------------------|---|-----------------------------------|-------------------|--|---------|
| M/S Arun K Agarwal & Associates | 105, South Ex Plaza- 1389, Majid Moth South Ex Part - II New Delhi-110024 | 2011-12                           | None              | None   | None    |
| M/s Bansal Sinha & Co.          | 18/19, Old Rajinder Nagar, New Delhi-110016                               | 2008-09                           | 2011-12           | None   | None    |
| V. K. DHINGRA & CO.             | 1-E/15, Jhandewalan Extension, New Delhi – 110055                         | 2012-13                           | None              | None   | None    |

**DETAILS OF BORROWINGS OF THE COMPANY AS ON THE LATEST QUARTER END  
30.09.2014:-**

**A. DETAILS OF SECURED LOAN FACILITIES AS ON 30.09.2014:-**

| Lenders Name | Type of Facility | Amt. Sanctioned (Rs. In Cr.) | Principal Amt. Outstanding (Rs. In Cr.) | Repayment Date / Schedule | Security                           |
|--------------|------------------|------------------------------|---|---------------------------|------------------------------------|
| IDBI         | Sec              | 4000.00                      | 3000.00                                 | Details as per Annexure   | Pari-Passu Charge on Current Asset |
| UBI          | Sec              | 1000.00                      | 455.00                                  |                           |                                    |
| IOB          | Sec              | 1000.00                      | 1000.00                                 |                           |                                    |
| <b>TOTAL</b> |                  | <b>6000.00</b>               | <b>4455.00</b>                          |                           |                                    |

**B. DETAILS OF UNSECURED LOAN FACILITIES AS ON 30.09.2014:-**

| Lenders Name         | Date on which loan taken | Type of Facility | Amt. Sanctioned (Rs. In Cr.) | Principal Amt. Outstanding (Rs. In Cr.) | Repayment Date / Schedule |
|----------------------|--------------------------|------------------|------------------------------|---|---------------------------|
| UBI                  | 31-12-2013               | SHORT TERM LOAN  | 400.00                       | 400.00                                  | 1 YR                      |
| SYNDICATE BANK       | 22-03-2014               | SHORT TERM LOAN  | 500.00                       | 500.00                                  | 1 YR                      |
| SYNDICATE BANK       | 15-05-2014               | SHORT TERM LOAN  | 500.00                       | 500.00                                  | 1 YR                      |
| PUNJAB & SIND BANK   | 27-12-2013               | SHORT TERM LOAN  | 300.00                       | 300.00                                  | 1 YR                      |
| ANDHRA BANK          | 07.08.2014               | SHORT TERM LOAN  | 250.00                       | 250.00                                  | 1 YR                      |
| OBC                  | 16.09.2014               | SHORT TERM LOAN  | 300.00                       | 300.00                                  | 1 YR                      |
| CENTRAL BANK         | 27.09.2014               | SHORT TERM LOAN  | 250.00                       | 250.00                                  | 1 YR                      |
| <b>SUB TOTAL (A)</b> |                          |                  | <b>2500.00</b>               | <b>2500.00</b>                          | 1 YR                      |
| BOB                  | 27-09-2010               | OVERDRAFT        | 500.00                       | 504.79                                  | Renewed Annually          |
| DENA BANK            | 21-10-2010               | OVERDRAFT        | 300.00                       | 301.94                                  | Renewed Annually          |

|                                |            |           |                |                |  |
|--------------------------------|------------|-----------|----------------|----------------|--|
| <b>IOB</b>                     | 30-11-2010 | OVERDRAFT | 1700.00        | 1672.00        | Renewed Annually                                   |
| <b>IOB -New</b>                | 28-09-2013 | OVERDRAFT | 950.00         | 422.07         | Renewed Annually                                   |
| <b>UBI</b>                     | 25-05-2012 | OVERDRAFT | 700.00         | 693.15         | Renewed Annually                                   |
| <b>CORP BANK</b>               | 28-09-2012 | OVERDRAFT | 250.00         | 252.26         | Renewed Annually                                   |
| <b>ALLAHBAD BANK</b>           | 23-11-2012 | OVERDRAFT | 250.00         | 123.03         | Payable back in monthly installment of Rs 8 Crores |
| <b>STATE BANK OF HYDERABAD</b> | 29-11-2013 | OVERDRAFT | 100.00         | 100.33         | Renewed Annually                                   |
| <b>UBI-II</b>                  | 29-05-2014 | OVERDRAFT | 100.00         | 99.99          | Renewed Annually                                   |
| <b>UBI-III</b>                 | 20-06-2014 | OVERDRAFT | 200.00         | 199.99         | Renewed Annually                                   |
| <b>UBI-IV</b>                  | 29-09-2014 | OVERDRAFT | 500.00         | 500.00         | Renewed Annually                                   |
| <b>SUB TOTAL (B)</b>           |            |           | <b>5550.00</b> | <b>4869.55</b> |  |
| <b>GRAND TOTAL (A+B)</b>       |            |           | <b>8050.00</b> | <b>7369.55</b> |  |

**C. DETAILS OF NCDS :-**

| <b>Bond Series/Type</b>  | <b>Tenor/period of Maturity (in months)</b> | <b>Coupon (In % p.a.)</b> | <b>Amount (Rs. in Crore)</b> | <b>Date of Allotment</b>    | <b>Redemption Date/Schedule</b> | <b>Credit Rating</b>                           | <b>Secured / Unsecured</b> | <b>Security</b> |
|--|---|---------------------------|------------------------------|-----------------------------|---------------------------------|--|----------------------------|-----------------|
| 8.57% UNSECURED GOVERNMENT OF INDIA GUARANTEED REDEEMABLE NON-CONVERTIBLE BONDS IN THE NATURE OF DEBENTURES. | 10 Year                                     | 8.57 %                    | 1005                         | 28 <sup>th</sup> March 2013 | 28 <sup>th</sup> March 2023     | AAA(SO ) By CARE and AAA(SO )/stable By CRISIL | Unsecured                  | N.A.            |

|   |          |           |      |  |                                       |   |               |      |
|---|----------|-----------|------|--|---------------------------------------|---|---------------|------|
| 9.38%<br>UNSECURED<br>GOVERNMENT<br>OF INDIA<br>GURANTEED<br>REDEEMABLE<br>NON-<br>CONVERTIBLE<br>BONDS IN THE<br>NATURE OF<br>DEBENTURES.                | 10 Year  | 9.38<br>% | 1975 | 05 <sup>th</sup><br>Dece<br>mbe<br>r<br>2013 | 05 <sup>th</sup><br>Decemb<br>er 2023 | AAA(SO<br>) By<br>CARE<br>and<br>AAA(SO<br>By<br>CRISIL | Unsecu<br>red | N.A. |
| 9.39%<br>UNSECURED<br>GOVERNMENT<br>OF INDIA<br>GURANTEED<br>REDEEMABLE<br>NON-<br>CONVERTIBLE<br>BONDS IN THE<br>NATURE OF<br>DEBENTURES.                | 10 Year  | 9.39<br>% | 765  | 26th<br>Mar<br>ch<br>2014                    | 26th<br>March<br>2024                 | AAA(SO<br>) By<br>CARE<br>and<br>AAA(SO<br>By<br>CRISIL | Unsecu<br>red | N.A. |
| Series IV-A<br>8.24%<br>UNSECURED<br>GOVERNMENT<br>OF INDIA<br>GURANTEED<br>REDEEMABLE<br>NON-<br>CONVERTIBLE<br>BONDS IN THE<br>NATURE OF<br>DEBENTURES. | 10 years | 8.24<br>% | 1400 | 19-<br>11-<br>2014                           | 19-11-<br>2024                        | AAA(SO<br>) By<br>CARE<br>and<br>AAA(SO<br>By<br>CRISIL | Unsecu<br>red | N.A. |
| Series IV-B<br>8.28%<br>UNSECURED<br>GOVERNMENT   | 10 years | 8.28<br>% | 100  | 19-<br>11-<br>2014                           | 19-11-<br>2024                        | AAA(SO<br>) By<br>CARE<br>and                           | Unsecu<br>red | N.A. |



|   |          |           |      |                    |                |   |               |      |
|---|----------|-----------|------|--------------------|----------------|---|---------------|------|
| OF INDIA<br>GURANTEED<br>REDEEMABLE<br>NON-<br>CONVERTIBLE<br>BONDS IN THE<br>NATURE OF<br>DEBENTURES.  |          |           |      |                    |                | AAA(SO<br>)/stable<br>By<br>CRISIL                                  |               |      |
| Series IV-C<br>8.24%<br>UNSECURED<br>GOVERNMENT<br>OF INDIA<br>GURANTEED<br>REDEEMABLE<br>NON-<br>CONVERTIBLE<br>BONDS IN THE<br>NATURE OF<br>DEBENTURES. | 10 years | 8.24<br>% | 0.07 | 19-<br>11-<br>2014 | 19-11-<br>2024 | AAA(SO<br>) By<br>CARE<br>and<br>AAA(SO<br>)/stable<br>By<br>CRISIL | Unsecu<br>red | N.A. |

**D. LIST OF TOP 10 DEBENTURE HOLDERS (As On 21st November 2014)**

| Serial No. | Name of Debenture Holders                      | Amount in Crores (Rs.) |
|------------|--|------------------------|
| 1.         | J.P.MORGAN SECURITIES ASIA PRIVATE LIMITED     | 1000.00                |
| 2.         | CBT EPF-05-A-DM                                | 379.20                 |
| 3.         | CBT EPF-05-D-DM                                | 376.90                 |
| 4.         | CBT EPF-05-D-DM                                | 318.30                 |
| 5.         | COAL MINES PROVIDENT FUND ORGANISATION         | 294.90                 |
| 6.         | CBT EPF-05-C-DM                                | 225.00                 |
| 7.         | CBT EPF-05-A-DM                                | 181.50                 |
| 8.         | CBT EPF-05-B-DM                                | 175.00                 |
| 9.         | CBT EPF-11-D-DM                                | 163.70                 |
| 10.        | NOMURA FIXED INCOME SECURITIES PRIVATE LIMITED | 150.00                 |
|            | <b>Total</b>                                   | <b>3264.50</b>         |

**E. THE AMOUNT OF CORPORATE GUARANTEE ISSUED BY THE ISSUER ALONG WITH NAME OF THE COUNTERPARTY (LIKE NAME OF THE SUBSIDIARY, JV ENTITY, GROUP COMPANY, ETC) ON BEHALF OF WHOM IT HAS BEEN ISSUED.**

MTNL has taken a decision, in the 293<sup>rd</sup> Meeting of the Board of Directors held on the 13<sup>th</sup> November 2014 for providing guarantee of NRS 7.99 Crore (26.68% of NRS 30 Crores) along with the interest on it for availing loan by UTL, Nepal a joint venture company of MTNL, TCIL, TCL & NVPL in which MTNL held 26.68% share. However, letter of the guarantee to the Bank is yet to be issued.

**F. DETAILS OF COMMERCIAL PAPER:- THE TOTAL FACE VALUE OF COMMERCIAL PAPERS OUTSTANDING AS ON THE LATEST QUARTER END TO BE PROVIDED AND ITS BREAKUP IN FOLLOWING TABLE:-**

▪ **DETAILS OF COMMERCIAL PAPER:-**

| Maturity Date | Amt Outstanding |
|---------------|-----------------|
| NA            |                 |

**G. Details of Rest of the borrowing (if any including hybrid debt like FCCB, Optionally Convertible Debentures / Preference Shares) as on 31<sup>st</sup> December 2013 :-**

| Party Name<br>(in case of Facility)<br>/ Instrument Name | Type of<br>Facility /<br>Instrument | Amt<br>Sanctioned<br>/ Issued | Principal<br>Amt<br>Outstanding | Repayment<br>Date<br>/<br>Schedule | Credit<br>Rating | Secured /<br>Unsecured | Security |
|--|-------------------------------------|-------------------------------|---------------------------------|------------------------------------|------------------|------------------------|----------|
| NA   | NA                                  | NA                            | NA                              | NA                                 | NA               | NA                     | NA       |

**(viii) DETAILS OF ALL DEFAULT/S AND/OR DELAY IN PAYMENTS OF INTEREST AND PRINCIPAL OF ANY KIND OF TERM LOANS, DEBT SECURITIES AND OTHER FINANCIAL INDEBTEDNESS INCLUDING CORPORATE GUARANTEE ISSUED BY THE COMPANY, IN THE PAST 5 YEARS .**

NIL

**(IX) DETAILS OF ANY OUTSTANDING BORROWINGS TAKEN/ DEBT SECURITIES ISSUED WHERE TAKEN / ISSUED (I) FOR CONSIDERATION OTHER THAN CASH, WHETHER IN WHOLE OR PART, (II) AT A PREMIUM OR DISCOUNT, OR (III) IN PURSUANCE OF AN OPTION;**

NIL

**DETAILS OF PROMOTERS OF THE COMPANY:-**



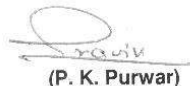

**i. DETAILS OF PROMOTER HOLDING IN THE COMPANY AS ON THE LATEST QUARTER END:-**

| Sl. No | Name of the Shareholders | Total No. of Equity Shares | No. of shares in demat form | Total shareholding as % of total no. of equity shares | No. of Shares Pledged | % of Shares pledged with respect to shares owned |
|--------|--------------------------|----------------------------|-----------------------------|---|-----------------------|--|
| 1.     | PRESIDENT OF INDIA       | 35,43,78,740               | 35,43,78,740                | 56.2506   | NA                    | NA   |

**(I). ABRIDGED VERSION OF AUDITED CONSOLIDATED (WHEREVER AVAILABLE) AND STANDALONE FINANCIAL INFORMATION ( LIKE PROFIT & LOSS STATEMENT, BALANCE SHEET AND CASH FLOW STATEMENT) FOR AT LEAST LAST THREE YEARS AND AUDITOR QUALIFICATIONS , IF ANY.**

**\***

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Balance Sheet as at 31st March, 2014**

| Particulars   | Note No  | As at 31.3.2014<br>(Rs. in Million)  | As at 31.3.2013<br>(Rs. in Million)   |
|---|--|--|---|
| <b>EQUITY AND LIABILITIES</b>   |  |  |   |
| <b>Shareholders' Funds</b>  |  |  |   |
| SHARE CAPITAL   | 2  | 6,300.00   | 6,300.00  |
| RESERVES & SURPLUS  | 3  | 44,107.06  | (34,144.25)   |
| <b>NON - CURRENT LIABILITIES</b>  |  |  |   |
| LONG TERM BORROWINGS  | 4  | 81,100.00  | 69,373.50   |
| OTHER LONG TERM LIABILITIES   | 5  | 32,126.39  | 31,414.93   |
| LONG TERM PROVISIONS  | 6  | 17,940.43  | 107,728.29  |
| <b>CURRENT LIABILITIES</b>  |  |  |   |
| SHORT TERM BORROWINGS   | 7  | 60,104.40  | 46,013.37   |
| TRADE PAYABLES  | 8  | 1,834.67   | 2,054.96  |
| OTHER CURRENT LIABILITIES   | 9  | 28,856.39  | 28,893.17   |
| SHORT TERM PROVISIONS   | 10   | 1,993.52   | 5,853.46  |
| <b>Total</b>  |  | <b>274,362.86</b>  | <b>263,487.43</b>   |
| <b>ASSETS</b>   |  |  |   |
| <b>NON - CURRENT ASSETS</b>   |  |  |   |
| <b>FIXED ASSETS</b>   |  |  |   |
| (a) TANGIBLE ASSETS   | 11   | 64,254.16  | 66,939.52   |
| (b) INTANGIBLE ASSETS   | 12   | 47,955.33  | 82,052.31   |
| (c) CAPITAL WORK IN PROGRESS  | 13   | 3,825.69   | 9,322.42  |
| NON CURRENT INVESTMENTS   | 14   | 1,819.79   | 2,019.79  |
| LONG TERM LOANS AND ADVANCES  | 15   | 90,060.15  | 49,621.88   |
| OTHER NON CURRENT ASSETS  | 16   | 42,691.76  | 36,970.09   |
| <b>CURRENT ASSETS</b>   |  |  |   |
| CURRENT INVESTMENTS   | 17   | 200.00   | 200.00  |
| INVENTORIES   | 18   | 698.94   | 819.54  |
| TRADE RECEIVABLES   | 19   | 2,918.00   | 3,809.98  |
| CASH & CASH EQUIVALENTS   | 20   | 2,463.11   | 1,098.89  |
| SHORT TERM LOANS & ADVANCES   | 21   | 14,351.16  | 7,425.45  |
| OTHER CURRENT ASSETS  | 22   | 3,124.77   | 3,207.56  |
| <b>Total</b>  |  | <b>274,362.86</b>  | <b>263,487.43</b>   |
| Significant Accounting Policies   | 1  |  |   |
| See accompanying notes (1 to 35) to the financial statements  |  |  |   |
| In terms of our report of even date attached  |  | For and on behalf of Board   |   |
| For V. K. Dhingra & Co.<br>Chartered Accountants<br>FRN: 000250N  | For Arun K. Agarwal & Associates<br>Chartered Accountants<br>FRN: 003917N  | (S.R.Sayal)<br>Co. Secy.   | (K. A. Sarma)<br>DGM (Accounts)   |
| <br>(Lalit Ahuja)<br>(Partner)<br>M.No: 085842 | <br>(Vimal Kumar Jain)<br>(Partner)<br>M.No: 086657 | <br>(P. K. Purwar)<br>Director(Finance) | <br>(A. K. Garg)<br>Chairman & Managing Director |
| Place : New Delhi<br>Date : 30th May, 2014  |  |  |   |

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Statement of Profit and Loss for the year ended 31st March, 2014**

| Particulars   | Note No | For the year ended<br>31.3.2014<br>(Rs. in Million) | For the year ended<br>31.3.2013<br>(Rs. in Million) |
|---|---------|---|---|
| <b>REVENUE</b>  |         |   |   |
| NET REVENUE FROM OPERATIONS   | 23      | 33,917.35   | 34,286.63   |
| OTHER INCOME  | 24      | 3,956.37  | 2,854.20  |
| <b>TOTAL REVENUE</b>  |         | <b>37,873.72</b>                                    | <b>37,140.83</b>                                    |
| <b>EXPENSES</b>   |         |   |   |
| EMPLOYEE BENEFITS   | 25      | 26,154.03   | 49,013.65   |
| REVENUE SHARING   | 26      | 4,146.76  | 4,508.94  |
| LICENCE FEES  | 27      | 2,095.26  | 2,410.79  |
| ADMINISTRATIVE, OPERATIVE AND OTHER EXPENSES                          | 28      | 10,749.14   | 7,652.83  |
| DEPRECIATION & AMORTISATION   | 29      | 11,657.42   | 14,769.42   |
| FINANCE COST  | 30      | 13,901.48   | 11,802.60   |
| <b>TOTAL EXPENSES</b>   |         | <b>68,704.09</b>                                    | <b>90,158.23</b>                                    |
| <b>PROFIT/(LOSS) BEFORE EXCEPTIONAL, PRIOR PERIOD ITEMS &amp; TAX</b> |         | <b>(30,830.37)</b>                                  | <b>(53,017.39)</b>                                  |
| EXCEPTIONAL ITEMS   | 34      | 116,209.31  | 0.00  |
| <b>PROFIT/(LOSS) BEFORE PRIOR PERIOD ITEMS &amp; TAX</b>              |         | <b>85,378.94</b>                                    | <b>(53,017.39)</b>                                  |
| <b>TAX EXPENSES</b>   | 31      |   |   |
| CURRENT TAX (MAT)   |         | 4,971.79  | 0.00  |
| <b>PROFIT/(LOSS) BEFORE PRIOR PERIOD ITEMS BUT AFTER TAX</b>          |         | <b>80,407.15</b>                                    | <b>(53,017.39)</b>                                  |
| PRIOR PERIOD ITEMS  | 32      | 2,155.84  | 193.84  |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                                   |         | <b>78,251.31</b>                                    | <b>(53,211.23)</b>                                  |
| <b>EARNINGS/ (LOSS) PER EQUITY SHARE</b>                              |         |   |   |
| (1) Basic (Rs.)   |         | 124.21  | (84.46)   |
| (2) Diluted (Rs.)   |         | 124.21  | (84.46)   |

Significant Accounting Policies

1

See accompanying notes (1 to 35) to the financial statements

In terms of our report of even date attached

For and on behalf of Board

For V.K. Dhingra & Co.  
Chartered Accountants  
FRN: 000250N

For Arun K. Agarwal & Associates  
Chartered Accountants  
FRN: 003917N

(S.R.Sayal)  
Co. Secy.

(K. A. Sarma)  
DGM (Accounts)

(Lalit Ahuja)  
(Partner)  
M.No: 085842

(Vimal Kumar Jain)  
(Partner)  
M.No: 086657

(P. K. Purwar)  
Director(Finance)

(A. K. Garg)  
Chairman & Managing Director

Place : New Delhi  
Date : 30th May, 2014



Annexure-I

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
Cash Flow Statement for the year ended 31st March 2014

|    |  | 2013-14<br>(Rs. in Million) | 2012-13<br>(Rs. in Million) |
|----|--|-----------------------------|-----------------------------|
| A. | <b>Cash Flow from Operating Activities</b>                           |                             |                             |
|    | Net profit/ (loss) before Tax  | 85,378.94                   | (53,017.40)                 |
|    | Adjustment for:  |                             |                             |
|    | Prior period adjustment (net)  | (1,930.67)                  | (38.64)                     |
|    | Profit on sale of fixed assets                                       | (43.59)                     | (42.04)                     |
|    | Loss on sale of fixed assets   | 93.30                       | 50.53                       |
|    | Depreciation & Amortisation  | 11,657.42                   | 14,769.42                   |
|    | Finance Cost   | 13,901.48                   | 11,802.60                   |
|    | Interest Income  | (1,078.45)                  | (605.79)                    |
|    | <b>Operating cash profit/ (loss) before working capital changes</b>  | <b>107,978.44</b>           | <b>(27,081.32)</b>          |
|    | Adjustment for:  |                             |                             |
|    | Trade and other receivables  | (61,348.20)                 | (5,984.09)                  |
|    | Inventories  | 120.60                      | 186.08                      |
|    | Trade and other payables   | (93,428.35)                 | 28,759.75                   |
|    | <b>Cash generated from operations</b>                                | <b>(46,677.51)</b>          | <b>(4,119.57)</b>           |
|    | Direct Taxes paid/adjusted (Net)                                     | 4,186.28                    | 377.08                      |
|    | <b>Net Cash Flow from Operating Activities</b>                       | <b>(42,491.23)</b>          | <b>(3,742.49)</b>           |
| B. | <b>Cash Flow from Investing Activities</b>                           |                             |                             |
|    | Purchase of fixed assets (including Capital WIP)                     | (1,282.84)                  | (6,727.25)                  |
|    | Sale of fixed assets   | 31,629.59                   | 51.60                       |
|    | Interest received  | 1,157.59                    | 866.14                      |
|    | Investments  | (0.00)                      | 2,500.00                    |
|    | <b>Net Cash Flow from Investing Activities</b>                       | <b>31,504.35</b>            | <b>(3,309.51)</b>           |
| C. | <b>Cash Flow from Financing Activities</b>                           |                             |                             |
|    | Proceeds from borrowings   | 25,817.53                   | 18,911.94                   |
|    | Finance Charges (including interest) paid                            | (13,466.44)                 | (11,629.37)                 |
|    | <b>Net Cash Flow from Financing Activities</b>                       | <b>12,351.09</b>            | <b>7,282.57</b>             |
| D. | <b>Net Increase/ (Decrease) in Cash and Cash Equivalent</b>          | <b>1,364.21</b>             | <b>230.56</b>               |
|    | Cash and cash equivalent as at the beginning of the year             | 1,098.89                    | 868.33                      |
|    | <b>Cash and cash equivalent as at the end of the year</b>            | <b>2,463.10</b>             | <b>1,098.89</b>             |
|    | <b>Cash and cash equivalent as at the end of year represented by</b> |                             |                             |
|    | Cash in hand (including cheques/drafts in hand)                      | 28.14                       | 79.37                       |
|    | Balance with bank in current account (net of provisions)             | 2,351.24                    | 986.93                      |
|    | Balance with bank in Fixed Deposit account                           | 83.72                       | 32.59                       |
|    | <b>TOTAL</b>   | <b>2,463.11</b>             | <b>1,098.89</b>             |

Note:-

1. Previous year figures have been regrouped/rearranged wherever necessary

For V.K. Dhingra & Co.  
Chartered Accountants  
FRN: 000250N

In terms of our report of even date attached  
For Arun K. Agarwal & Associates  
Chartered Accountants  
FRN: 003917N

(S. R. Sayal)  
Co. Secy.

(K. A. Sarma)  
Dy. General Manager (Accounts)

(Lalit Ahuja)  
(Partner)  
M.No: 085842



(Vimal Kumar Jain)  
(Partner)  
M.No: 086657

(P. K. Purwar)  
Director(Finance)

(A. K. Garg)  
Chairman & Managing Director

Place : New Delhi

Date : 30th May, 2014



**MAHANAGAR TELEPHONE NIGAM LIMITED**  
BALANCE SHEET AS AT 31ST MARCH, 2013

|                                  | Note No. | As at 31.3.2013<br>(₹ in Million) | As at 31.3.2012<br>(₹ in Million) |
|----------------------------------|----------|-----------------------------------|-----------------------------------|
| <b>EQUITY AND LIABILITIES</b>    |          |                                   |                                   |
| <b>Shareholders' Funds</b>       |          |                                   |                                   |
| Share Capital                    | 2        | 6,300.00                          | 6,300.00                          |
| Reserves & Surplus               | 3        | (34,144.25)                       | 19,066.97                         |
| <b>NON - CURRENT LIABILITIES</b> |          |                                   |                                   |
| Long Term Borrowings             | 4        | 69,373.50                         | 70,000.00                         |
| Other Long Term Liabilities      | 5        | 31,414.93                         | 29,349.78                         |
| Long Term Provisions             | 6        | 107,728.29                        | 82,047.60                         |
| <b>CURRENT LIABILITIES</b>       |          |                                   |                                   |
| Short Term Borrowings            | 7        | 46,013.37                         | 26,474.83                         |
| Trade Payables                   | 8        | 2,054.96                          | 2,558.40                          |
| Other Current Liabilities        | 9        | 28,693.17                         | 26,191.70                         |
| Short Term Provisions            | 10       | 5,871.11                          | 7,080.79                          |
| <b>Total</b>                     |          | <b>263,505.08</b>                 | <b>269,071.39</b>                 |
| <b>ASSETS</b>                    |          |                                   |                                   |
| <b>Non - Current Assets:</b>     |          |                                   |                                   |
| <b>Fixed Assets</b>              |          |                                   |                                   |
| (A) Tangible Assets              | 11       | 66,939.52                         | 69,176.88                         |
| (B) Intangible Assets            | 12       | 82,052.31                         | 88,424.87                         |
| (C) Capital Work In Progress     | 13       | 9,322.42                          | 8,969.95                          |
| Non Current Investments          | 14       | 2,019.79                          | 2,219.79                          |
| Long Term Loans And Advances     | 15       | 49,401.08                         | 49,366.95                         |
| Other Non Current Assets         | 16       | 37,036.40                         | 31,695.37                         |
| <b>CURRENT ASSETS</b>            |          |                                   |                                   |
| Current Investments              | 17       | 200.00                            | 2,700.00                          |
| Inventories                      | 18       | 819.54                            | 1,005.62                          |
| Trade Receivables                | 19       | 3,809.96                          | 3,288.32                          |
| Cash & Cash Equivalents          | 20       | 1,088.89                          | 868.33                            |
| Short Term Loans & Advances      | 21       | 7,597.60                          | 5,953.70                          |
| Other Current Assets             | 22       | 3,207.55                          | 5,401.60                          |
| <b>Total</b>                     |          | <b>263,505.08</b>                 | <b>269,071.39</b>                 |

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 V.K. Dhingra & Co.  
Chartered Accountants  
FRN: 000250N  
sd/-  
(Vipul Gupta)  
(Partner)  
M.No. 084312

For Arun K. Agarwal & Associates  
Chartered Accountants  
FRN: 003917N  
sd/-  
(Arun Agarwal)  
(Partner)  
M.No. 082899

sd-  
(S.R. Sayal)  
(Co. Secy)  
  
sd-  
(Anita Soni)  
Director  
Finance

sd-  
(K.A. Sarma)  
DGM (Accounts)  
  
sd-  
(A.K. Garg)  
Chairman & Managing  
Director

Place : New Delhi  
Date : 30th May, 2013





**MAHANAGAR TELEPHONE NIGAM LIMITED**  
**Statement of Profit & Loss for the year ended 31st March, 2013**

|  | Note No.              | for the year ended<br>31.3.2013<br>(₹ in Million) | for the year ended<br>As at 31.3.2012<br>(₹ in Million) |
|--|-----------------------|---|---|
| <b>REVENUE</b>                               |                       |   |   |
| Net Revenue From Operations                  | 23                    | 34,286.63   | 33,732.53   |
| Other Income                                 | 24                    | 2,854.20  | 2,511.64  |
|  | <b>Total Revenue</b>  | <b>37,140.83</b>                                  | <b>36,244.17</b>  |
| <b>EXPENSES</b>                              |                       |   |   |
| Employee Benefits                            | 25                    | 49,013.65   | 37,115.83   |
| Revenue Sharing                              | 26                    | 4,508.94  | 4,539.95  |
| Licence Fees                                 | 27                    | 2,410.79  | 2,389.14  |
| Administrative, Operative And Other Expenses | 28                    | 7,652.82  | 8,193.35  |
| Depreciation & Amortisation                  | 29                    | 14,769.42   | 14,962.15   |
| Finance Cost                                 | 30                    | 11,802.60   | 9,491.62  |
|  | <b>Total Expenses</b> | <b>90,158.23</b>                                  | <b>76,691.63</b>  |
| Profit(Loss) Before Prior Period Items       |                       | (53,017.40)                                       | (40,447.66)   |
| Prior Period Items                           | 31                    | 193.94  | 650.18  |
| <b>Profit(Loss) For The Period</b>           |                       | <b>(53,211.23)</b>                                | <b>(41,097.84)</b>                                      |
| <b>Earnings(Loss) Per Equity Share</b>       | <b>32</b>             |   |   |
| (1) Basic (₹.)                               |                       | (84.46)   | (65.23)   |
| (2) Diluted (₹.)                             |                       | (84.46)   | (65.23)   |

Significant Accounting Policies

1

See accompanying notes to the financial statements

In terms of our report of even date attached

For and on behalf of Board

For V.K. Dhingra & Co.

For Arun K. Agarwal & Associates

sd/-

sd/-

Chartered Accountants

Chartered Accountants

(S.R. Sayal)

(K.A. Sarma)

(Co. Secy)

DGM (Accounts)

FRN: 000250N

FRN: 003917N

sd/-

sd/-

sd/-

sd/-

(Vipul Gupta)

(Arun Agarwal)

(Anita Soni)

(A.K.Garg)

(Partner)

(Partner)

Director

Chairman & Managing

M.No. 084312

M.No. 082699

(Finance)

Director

Place : New Delhi

Date : 30th May, 2013



## MAHANAGAR TELEPHONE NIGAM LIMITED

Cash Flow Statement for the year ended 31st March 2013

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

|   | 2012-13<br>(₹ in Million) | 2011-12<br>(₹ in Million) |
|---|---------------------------|---------------------------|
| <b>A. Cash Flow from Operating Activities</b>                       |                           |                           |
| Net profit/ (loss) before Tax                                       | (53,017.40)               | (40,447.66)               |
| Adjustment for:   |                           |                           |
| Prior period adjustment (net)                                       | (38.64)                   | (502.81)                  |
| Profit on sale of fixed assets                                      | (42.04)                   | (55.97)                   |
| Loss on sale of fixed assets  | 50.93                     | 181.82                    |
| Depreciation & Amortisation   | 14,769.42                 | 14,962.15                 |
| Finance Cost  | 11,802.60                 | 8,491.62                  |
| Interest Income   | (605.79)                  | (720.25)                  |
| <b>Operating cash profit/ (loss) before working capital changes</b> | <b>(27,081.32)</b>        | <b>(17,071.11)</b>        |
| Adjustment for:   |                           |                           |
| Trade and other receivables   | (5,084.03)                | (4,150.97)                |
| Inventories   | 186.08                    | 249.19                    |
| Trade and other payables  | 28,759.75                 | 13,383.35                 |
| Cash generated from operations                                      | (4,118.57)                | (7,589.54)                |
| Direct Taxes paid/adjusted (Net)                                    | 377.08                    | 47.35                     |
| <b>Net Cash Flow from Operating Activities</b>                      | <b>(3,741.49)</b>         | <b>(7,541.19)</b>         |
| <b>B. Cash Flow from Investing Activities</b>                       |                           |                           |
| Purchase of fixed assets (including Capital WIP)                    | (8,727.25)                | (8,251.20)                |
| Sale of fixed assets  | 51.80                     | 1,192.59                  |
| Interest received   | 886.14                    | 1,190.09                  |
| Investments   | 2,500.00                  | 25.79                     |
| <b>Net Cash Flow from Investing Activities</b>                      | <b>(3,309.51)</b>         | <b>(5,841.73)</b>         |
| <b>C. Cash Flow from Financing Activities</b>                       |                           |                           |
| Proceeds from borrowings  | 18,911.94                 | 21,918.19                 |
| Finance Charges (including interest) paid                           | (11,582.37)               | (9,067.36)                |
| <b>Net Cash Flow from Financing Activities</b>                      | <b>7,329.57</b>           | <b>12,850.83</b>          |
| <b>D. Net Increase/ (Decrease) in Cash and Cash Equivalent</b>      | <b>230.56</b>             | <b>(33.08)</b>            |
| Cash and Cash equivalent as at the beginning of the year            | 868.33                    | 1,401.41                  |
| <b>Cash and cash equivalent as at the end of the year</b>           | <b>1,098.89</b>           | <b>868.33</b>             |
| Cash and cash equivalent as at the end of year represented by       |                           |                           |
| Cash in hand (including cheques/drafts in hand)                     | 79.37                     | 56.24                     |
| Balance with bank in current account (net of provisions)            | 969.83                    | 809.20                    |
| Balance with bank in Fixed Deposit account                          | 32.59                     | 0.89                      |
| <b>TOTAL</b>  | <b>1,098.89</b>           | <b>868.33</b>             |

**Note:**

Previous year figures have been regrouped/rearranged wherever necessary.

**For V.K. Dhingra & Co.**  
Chartered Accountants  
FRN: 000250N  
sd/-  
(Vipul Gupta)  
(Partner)  
M.No. 084312

**For Arun K. Agarwal & Associates**  
Chartered Accountants  
FRN: 003917N  
sd/-  
(Arun Agarwal)  
(Partner)  
M.No. 082899

(S.R. Sayal)  
(Co. Secy)  
sd/-  
(Anita Soni)  
Director  
Finance

(K.A. Sarma)  
DGM (Accounts)  
sd/-  
(A.K.Garg)  
Chairman & Managing  
Director

Place : New Delhi  
Date : 30th May, 2013



## MAHANAGAR TELEPHONE NIGAM LIMITED

(A Govt. of India Enterprise)

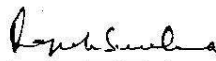
Regd. Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003  
STATEMENT OF STANDALONE UNAUDITED RESULTS FOR THE QUARTER AND SIX MONTHS ENDED ON 30/09/2014

| Sl. No. | Particulars<br>(Refer Notes Below)   | (Rs. in Crore)               |  |   |  |   |                                      |
|---------|--|------------------------------|--|---|--|---|--------------------------------------|
|         |  | 3 months ended<br>30/09/2014 | Preceding 3<br>months<br>ended<br>30/06/2014 | Corresponding<br>3 months ended<br>30/09/2013 in the<br>previous year | Year to date<br>figures for the<br>current period<br>ended<br>30/09/2014 | Year to date<br>figures for the<br>previous year<br>ended<br>30/09/2013 | Previous year<br>ended<br>31/03/2014 |
|         |  | UNAUDITED<br>3               | UNAUDITED<br>4                               | UNAUDITED<br>5  | UNAUDITED<br>6   | UNAUDITED<br>7  | AUDITED<br>8                         |
| 1       | <b>Income from operations</b>  |                              |  |   |  |   |                                      |
|         | (a) Net income from operations   | 845.26                       | 854.33                                       | 808.44  | 1,699.59   | 1,671.61  | 3,377.96                             |
|         | (b) Other operating income   | 5.46                         | 1.89   | 5.01  | 7.15   | 5.01  | 1.58                                 |
|         | <b>Total Income from operations (Net)</b>  | <b>850.72</b>                | <b>856.02</b>                                | <b>813.45</b>   | <b>1,706.74</b>  | <b>1,676.62</b>   | <b>3,379.54</b>                      |
| 2       | <b>Expenses</b>  |                              |  |   |  |   |                                      |
|         | (a1) Employee benefits other than retirement benefits  | 568.14                       | 595.12                                       | 523.61  | 1,163.26   | 1,070.52  | 2,427.17                             |
|         | (a2) Employee benefits for retirement benefits   | 77.74                        | 59.99  | 296.53  | 136.73   | 975.99  | 186.23                               |
|         | (b) Revenue Sharing  | 96.11                        | 97.18  | 104.88  | 193.29   | 277.04  | 474.68                               |
|         | (c) Licence Fees and Spectrum Charges  | 65.12                        | 65.80  | 69.17   | 130.92   | 174.35  | 257.90                               |
|         | (d) Depreciation and Amortisation Expenses   | 289.10                       | 290.48                                       | 362.16  | 579.58   | 773.18  | 1,166.74                             |
|         | (e) Administrative, Operative & Other Expenses   | 229.96                       | 173.02                                       | 190.82  | 402.98   | 346.25  | 1,246.13                             |
|         | <b>Total Expenses</b>  | <b>1,326.17</b>              | <b>1,280.59</b>                              | <b>1,547.17</b>   | <b>2,606.76</b>  | <b>3,473.30</b>   | <b>5,695.85</b>                      |
| 3       | <b>Profits: (Loss) from Operations before other income, Finance cost and exceptional items (1-2)</b>                   | <b>(475.45)</b>              | <b>(424.57)</b>                              | <b>(733.72)</b>   | <b>(900.02)</b>  | <b>(1,770.69)</b>   | <b>(2,304.12)</b>                    |
| 4       | Other Income   | 50.59                        | 54.31  | 134.15  | 104.90   | 115.61  | 397.64                               |
| 5       | <b>Profit: (Loss) from ordinary activities before Finance cost and exceptional items (3+4)</b>                         | <b>(424.86)</b>              | <b>(370.26)</b>                              | <b>(599.57)</b>   | <b>(795.12)</b>  | <b>(1,575.08)</b>   | <b>(1,906.48)</b>                    |
| 6       | Finance costs  | 409.36                       | 362.97                                       | 347.48  | 772.33   | 666.16  | 1,300.15                             |
| 7       | <b>Profit: (Loss) from ordinary activities after Finance cost but before exceptional items (5-6)</b>                   | <b>(834.22)</b>              | <b>(733.23)</b>                              | <b>(947.05)</b>   | <b>(1,567.45)</b>  | <b>(2,221.24)</b>   | <b>(3,206.63)</b>                    |
| 8       | Exceptional items  |                              |  |   |  |   | 11,620.93                            |
| 9       | <b>Profit: (Loss) from ordinary activities before tax (7+8)</b>  | <b>(834.22)</b>              | <b>(733.23)</b>                              | <b>(947.05)</b>   | <b>(1,567.45)</b>  | <b>(2,221.24)</b>   | <b>8,322.30</b>                      |
| 10      | <b>Tax expense</b>   |                              |  |   |  |   |                                      |
|         | (a) Provision for Current Tax  |                              |  |   |  |   | 49.18                                |
|         | (b) Taxes for earlier period paid/ (written back)  |                              |  |   |  |   |                                      |
|         | (c) Provision for Deferred Tax   |                              |  |   |  |   |                                      |
|         | Less: MAT Credit Entitlement   |                              |  |   |  |   |                                      |
| 11      | <b>Net Profit: (Loss) from ordinary activities after tax (9-10)</b>  | <b>(834.22)</b>              | <b>(733.23)</b>                              | <b>(947.05)</b>   | <b>(1,567.45)</b>  | <b>(2,203.24)</b>   | <b>7,825.12</b>                      |
| 12      | Extraordinary items  |                              |  |   |  |   |                                      |
| 13      | <b>Net Profit: (Loss) for the period (11-12)</b>   | <b>(834.22)</b>              | <b>(733.23)</b>                              | <b>(947.05)</b>   | <b>(1,567.45)</b>  | <b>(2,203.24)</b>   | <b>7,825.12</b>                      |
| 14      | <b>Paid-up equity share capital (Face value of Rs.10/-each)</b>  | <b>630.00</b>                | <b>630.00</b>                                | <b>630.00</b>   | <b>630.00</b>  | <b>630.00</b>   | <b>630.00</b>                        |
| 15      | <b>Reserves excluding Revaluation Reserves as per balance sheet of previous accounting year</b>                        |                              |  |   |  |   | <b>4,401.71</b>                      |
| 16      | <b>Earning Per Share (EPS)</b>   |                              |  |   |  |   |                                      |
|         | (a) Basic and Diluted EPS (before extraordinary items)   | (13.24)                      | (11.64)                                      | (15.03)   | (24.88)  | (34.97)   | 124.21                               |
|         | (b) Basic and Diluted EPS (after extraordinary items)  | (13.24)                      | (11.64)                                      | (15.03)   | (24.88)  | (34.97)   | 124.21                               |
| 17      | <b>Public shareholding</b>   |                              |  |   |  |   |                                      |
|         | a) Number of shares  | 275,621,260                  | 275,621,260                                  | 275,621,260   | 275,621,260  | 275,621,260   | 275,621,260                          |
|         | b) Percentage of shareholding  | 43.75%                       | 43.75%                                       | 43.75%  | 43.75%   | 43.75%  | 43.75%                               |
| 18      | <b>Promoters and Promoter Group Shareholding</b>   |                              |  |   |  |   |                                      |
|         | <b>a) Pledged/ Encumbered</b>  |                              |  |   |  |   |                                      |
|         | - Number of shares   | 0                            | 0  | 0   | 0  | 0   | 0                                    |
|         | - Percentage of shares (as a % of the total shareholding of the Promoter and Promoter Group)                           | 0.00%                        | 0.00%  | 0.00%   | 0.00%  | 0.00%   | 0.00%                                |
|         | - Percentage of shares (as a % of the total share capital of the company)  | 0.00%                        | 0.00%  | 0.00%   | 0.00%  | 0.00%   | 0.00%                                |
|         | <b>b) Non - encumbered</b>   |                              |  |   |  |   |                                      |
|         | - Number of shares   | 354,378,740                  | 354,378,740                                  | 354,378,740   | 354,378,740  | 354,378,740   | 354,378,740                          |
|         | - Percentage of shares (as a % of the total shareholding of the Promoter and Promoter Group)                           | 100.00%                      | 100.00%                                      | 100.00%   | 100.00%  | 100.00%   | 100.00%                              |
|         | - Percentage of shares (as a % of the total share capital of the company)  | 56.25%                       | 56.25%                                       | 56.25%  | 56.25%   | 56.25%  | 56.25%                               |
| 19      | The status of investor complaints received and disposed of during the 3 months period ended on 30/09/2014 is as under: |                              |  |   |  |   |                                      |
|         | Pending at the beginning of the quarter  | 0                            |  |   |  |   |                                      |
|         | Received during the quarter  | 2                            |  |   |  |   |                                      |
|         | Disposed of during the quarter   | 2                            |  |   |  |   |                                      |
|         | Remained unresolved at the end of the quarter  | 0                            |  |   |  |   |                                      |

## Notes:

- The above results have been reviewed and recommended for adoption by the Audit Committee in their meeting held on 13/11/2014 and approved by the Board of Directors of the Company at their meeting held on the same date. The Statutory Auditors have carried out a limited Review of the financial results as required under Clause 41 of the Equity Listing Agreement. Figures of previous year/ period have been revised/reclassified/ regrouped wherever necessary to conform to current year/ period presentations.
- Due to revision of lives of assets as per Schedule II of Companies Act 2013, the depreciation of the assets whose lives expired on or before 31/03/2014 or revised has impact to the tune of Rs.73.89 Crore on retained earnings, effect of which already taken in Q1 and Rs.5.89 crore on profit and loss account up to 30/09/2014, out of which Rs.2.88 crore already charged in Q1.
- During the current quarter, income tax refund to the tune of Rs.46.45 crores is received out of which Rs.3.64 crores has been booked as interest income.
- The approval of Govt. of India is received for issuance of bonds in the nature of Non Convertible Debentures to the tune of Rs.3768.97 crores with sovereign guarantee. The interest and maturity value is payable by Govt. of India. Management is in the process of issuance of bonds.
- Administrative, Operative & Other Expenditure includes P for Period Expenditure/ (income).

For and on behalf of the Board

Place : New Delhi  
Date : 13.11.2014

P. K. Purwar  
Chairman & Managing Director

| <b>MAHANAGAR TELEPHONE NIGAM LIMITED</b>                                      |  |                              |   |
|---|--|------------------------------|---|
| <b>STATEMENT OF ASSETS AND LIABILITIES</b>                                    |  |                              |   |
| (Pursuant to Clause 41 (i) (ea) of the Equity Listing Agreement (as amended)) |  |                              |   |
| (Rs. In Crore)  |  |                              |   |
|   | Particulars                              | 6 months ended<br>30/09/2014 | Corresponding 6<br>months ended<br>30/09/2013 in the<br>previous year |
|   |  | UNAUDITED                    | UNAUDITED   |
| <b>A</b>  | <b>EQUITY AND LIABILITIES</b>            |                              |   |
|   | <b>1 Shareholders' Funds</b>             |                              |   |
|   | (a) Share Capital                        | 630.00                       | 630.00  |
|   | (b) Reserves & Surplus                   | 2,765.11                     | (5,633.48)  |
|   | <b>Sub total Shareholders' Funds</b>     | <b>3,395.11</b>              | <b>(5,003.48)</b>   |
|   | <b>2 Non current liabilities</b>         |                              |   |
|   | (a) Long Term Borrowings                 | 7,910.00                     | 6,516.33  |
|   | (b) Other long Term Liabilities          | 3,179.11                     | 3,165.28  |
|   | (c) Long Term Provisions                 | 1,770.79                     | 11,523.85   |
|   | <b>Sub total Non current liabilities</b> | <b>12,859.90</b>             | <b>21,005.26</b>  |
|   | <b>3 Current liabilities</b>             |                              |   |
|   | (a) Short Term Borrowings                | 7,359.39                     | 5,409.22  |
|   | (b) Trade Payables                       | 218.78                       | 285.41  |
|   | (c) Other Current Liabilities            | 3,295.56                     | 3,415.68  |
|   | (d) Short Term Provisions                | 155.29                       | 647.65  |
|   | <b>Sub total Current liabilities</b>     | <b>11,029.01</b>             | <b>9,757.96</b>   |
|   | <b>TOTAL - EQUITY AND LIABILITIES</b>    | <b>27,284.03</b>             | <b>25,759.74</b>  |
| <b>B</b>  | <b>ASSETS</b>                            |                              |   |
|   | <b>1 Non current assets</b>              |                              |   |
|   | (a) Fixed Assets                         | 11,025.26                    | 15,331.61   |
|   | (b) Non Current Investments              | 181.98                       | 201.98  |
|   | (c) Long Term Loans and Advances         | 9,321.27                     | 4,663.28  |
|   | (d) Other Non Current Assets             | 4,551.36                     | 3,928.41  |
|   | <b>Sub total Non current assets</b>      | <b>25,079.87</b>             | <b>24,125.28</b>  |
|   | <b>2 Current assets</b>                  |                              |   |
|   | (a) Current Investments                  | 20.00                        | 20.00   |
|   | (b) Inventories                          | 94.75                        | 69.83   |
|   | (c) Trade Receivables                    | 304.72                       | 372.14  |
|   | (d) Cash and Cash Equivalents            | 82.93                        | 115.10  |
|   | (e) Short Term Loans and Advances        | 1,387.13                     | 712.77  |
|   | (f) Other Current Assets                 | 314.64                       | 344.62  |
|   | <b>Sub total Current assets</b>          | <b>2,204.16</b>              | <b>1,634.46</b>   |
|   | <b>TOTAL - ASSETS</b>                    | <b>27,284.03</b>             | <b>25,759.74</b>  |

**\*AUDITOR QUALIFICATIONS:**

| Financial Year | Auditors' Qualifications  |
|----------------|---|
| 2013-14        | <i>Information available on website of MTNL for these years in the Annual Reports. However, Compliance officer can be contacted for details in this regard.</i> |
| 2012-13        |   |
| 2011-12        |   |

**(J). ABRIDGED VERSION OF LATEST AUDITED / LIMITED REVIEW HALF YEARLY CONSOLIDATED (WHEREVER AVAILABLE) AND STANDALONE FINANCIAL INFORMATION (LIKE PROFIT & LOSS STATEMENT, AND BALANCE SHEET) AND AUDITORS QUALIFICATIONS, IF ANY. \***

**AUDITOR QUALIFICATIONS:**

Information available on website of MTNL for these years in the Annual Reports. However, Compliance officer can be contacted for details in this regard.

**(K). ABRIDGED VERSION OF LATEST AUDITED / LIMITED QUARTERLY STANDALONE FINANCIAL INFORMATION (PROFIT & LOSS STATEMENT) AND AUDITORS QUALIFICATIONS, IF ANY.**

Information available on website of MTNL. However, Compliance officer can be contacted for details in this regard

**(L). ANY MATERIAL EVENT/ DEVELOPMENT OR CHANGE HAVING IMPLICATIONS ON THE FINANCIALS/CREDIT QUALITY (E.G. ANY MATERIAL REGULATORY PROCEEDINGS AGAINST THE ISSUER/PROMOTERS, TAX LITIGATIONS RESULTING IN MATERIAL LIABILITIES, CORPORATE RESTRUCTURING EVENT ETC) AT THE TIME OF ISSUE WHICH MAY AFFECT THE ISSUE OR THE INVESTOR'S DECISION TO INVEST / CONTINUE TO INVEST IN THE DEBT SECURITIES.**

The MTNL revival and revitalization is under active consideration of Government of India and in this direction Group of Ministers has been constituted for submitting the recommendations to the cabinet. The GOM has recommended the refund of BWA spectrum charges paid upfront amounting to Rs. 4533.97 Crores paid by MTNL in view of surrender of the same by MTNL. There after Cabinet had approved refund of Rs 4,533.97 crores in view of broadband wireless access (BWA) spectrum surrendered by MTNL and the same was approved by cabinet and was communicated vide File No. 10-20/2012-SU.I (Vol.II) dated 15<sup>th</sup> January 2014 by DoT. According to the approval of Cabinet for refund of amount through issue of bonds with sovereign guarantee, authorization has been received from MoF vide F.12(12)-B(SD)/2012 dated 10<sup>th</sup> March 2014 for initial tranche of Rs 1000 Crores out of Rs 4533.97 Crores and MTNL has successfully raised Rs 765 Crore on 26<sup>th</sup> March 2014 and Rs 1500.07 crores on 19-11-2014. Offer for subscription for remaining amount of Rs 2268.90 Crores is placed in this IM in pursuance of Sovereign guarantee of Govt. of India without guarantee fees vide Min. of Finance OM no; F.12(12)-B (SD)/2012 dated 21<sup>st</sup> October 2014.

Secondly, the payment of pensions of absorbed employees in the company who have opted for combined service pension has also been considered on the similar lines as in the case of BSNL and approval of cabinet was communicated vide 45-04/2012-Pen(7) dated 20<sup>th</sup> January 2014 by DoT, and subsequent gazette notification has been issued vide GSR 138(E) dated 3-3-2014. Subsequently D.O.T. has issued necessary notifications for commencement of pension payments to combined service pension opted absorbed retirees of MTNL which has given relief to MTNL to the extent of Rs 45-50 crores per month.

**(M). THE NAMES OF THE DEBENTURE TRUSTEE(S) SHALL BE MENTIONED WITH STATEMENT TO THE EFFECT THAT DEBENTURE TRUSTEE(S) HAS GIVEN HIS CONSENT TO THE ISSUER FOR**

**HIS APPOINTMENT UNDER REGULATION 4 (4) AND IN ALL THE SUBSEQUENT PERIODICAL COMMUNICATIONS SENT TO THE HOLDERS OF DEBT SECURITIES.**

In accordance with the provisions of (i) Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended, (ii) Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012, as amended, (iii) Section 71(5) of the Companies Act, 2013 and Rule 18 of the Companies (Share Capital and Debentures) Rules, 2014 and (iv) Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Issuer has appointed **SBICAP Trustee Co. Ltd.** to act as Trustees (“Trustees”) for and on behalf of the holder(s) of the Bonds. The address and contact details of the Trustees are as under:

**Debenture Trustee**

**SBICAP Trustee Co. Ltd.**

Apeejay House, 6th Floor, West wing  
3, Dinshaw Wachha Road, Churchgate,  
Mumbai - 400020  
Tel: 022-43025555; Fax: 022-43025500  
Email: [corporate@sbicaptrustee.com](mailto:corporate@sbicaptrustee.com)

A copy of letter **SBICAP Trustee Co. Ltd** conveying their consent to act as Trustee for the current issue of Bonds is enclosed elsewhere in this Disclosure Document.

The Bond holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the holder(s) of the Bonds. Any payment made by the Company to the Trustees on behalf of the bond holder(s) shall discharge the Company pro tanto to the bond holder(s). The Trustees shall protect the interest of the bond holders in the event of default by the Company in regard to timely payment of interest and repayment of principal and shall take necessary action at the cost of the Company. No bond holder shall be entitled to proceed directly against the Company unless the Trustees, having become so bound to proceed, fail to do so. In the event of Company defaulting in payment of interest on Bonds or redemption thereof, any distribution of dividend by the Company shall require approval of the Trustees.

The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Trustees by the holder(s) of the Bonds and shall further conduct itself, and comply with the provisions of all applicable laws, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to the Trustees. The Trustees shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Debenture Trusteeship Agreement, the

Deed of Hypothecation, Disclosure Document and all other related transaction documents, with due care, diligence and loyalty.

The Trustees shall be vested with the requisite powers for protecting the interest of holder(s) of the Bonds including but not limited to the right to appoint a nominee director on the Board of the Issuer in consultation with institutional holders of such Bonds. The Trustees shall ensure disclosure of all material events on an ongoing basis and shall supervise the implementation of the conditions regarding creation of security for the Bonds and Bond/ Debenture Redemption Reserve.

**(N). THE DETAILED RATING RATIONALE (S) ADOPTED (NOT OLDER THAN ONE YEAR ON THE DATE OF OPENING OF THE ISSUE)/ CREDIT RATING LETTER ISSUED (NOT OLDER THAN ONE MONTH ON THE DATE OF OPENING OF THE ISSUE) BY THE RATING AGENCIES SHALL BE DISCLOSED.**

“CRISIL AAA (SO)/stable” by CRISIL and “[CARE] AAA (SO)” by CARE

The above ratings are not a recommendation to buy, sell or hold securities and investors should take their own decision. The ratings may be subject to revision or withdrawal at any time by the assigning rating agencies and each rating should be evaluated independently of any other rating. The ratings obtained are subject to revision at any point of time in the future. The rating agencies have the right to suspend, withdraw the rating at any time on the basis of new information etc.

**(O). IF THE SECURITY IS BACKED BY A GUARANTEE OR LETTER OF COMFORT OR ANY OTHER DOCUMENT / LETTER WITH SIMILAR INTENT, A COPY OF THE SAME SHALL BE DISCLOSED. IN CASE SUCH DOCUMENT DOES NOT CONTAIN DETAILED PAYMENT STRUCTURE (PROCEDURE OF INVOCATION OF GUARANTEE AND RECEIPT OF PAYMENT BY THE INVESTOR ALONG WITH TIMELINES); THE SAME SHALL BE DISCLOSED IN THE OFFER DOCUMENT.**

***Government of India Guarantee letter dated 21<sup>st</sup> October 2014 and Presidential approval dated 10-11-2014***

**(P). COPY OF CONSENT LETTER FROM THE DEBENTURE TRUSTEE “SBICAP TRUSTEE CO. LTD” DATED 13th November 2014 IS CONVEYING THEIR CONSENT TO ACT AS TRUSTEE FOR THE CURRENT ISSUE OF BONDS IS ENCLOSED ELSEWHERE IN THIS DISCLOSURE DOCUMENT.**

**(Q). NAMES OF ALL THE RECOGNISED STOCK EXCHANGES WHERE THE DEBT SECURITIES ARE PROPOSED TO BE LISTED CLEARLY INDICATING THE DESIGNATED STOCK EXCHANGE.**

Government of India Guaranteed, Unsecured, Listed, Redeemable, Non-Convertible Taxable Bonds in the Nature of Debentures are proposed to be listed on the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange Limited (“BSE”). The Company shall obtain an in-principle approval from the BSE for listing of said Bonds on its Wholesale Debt Market (WDM) Segment.



### ***In-Principle Approval from BSE accorded on 24-11-2014***

In connection with listing of Bonds with BSE, the company hereby undertakes that:

- i) It shall comply with conditions of listing of Bonds as may be specified in the Listing Agreement with BSE.
- ii) Ratings obtained by the company shall be periodically reviewed by the credit rating agencies and any revision in the rating shall be promptly disclosed by the company to BSE.
- iii) Any change in rating shall be promptly disseminated to the holder(s) of the Bonds in such manner as BSE may determine from time to time.
- iv) The company, the Trustees and BSE shall disseminate all information and reports on Bonds including compliance reports filed by the company and the Trustees regarding the Bonds to the holder(s) of Bonds and the general public by placing them on their websites.
- v) Trustees shall disclose the information to the holder(s) of the Bonds and the general public by issuing a press release in any of the following events:
  - a. default by the company to pay interest on Bonds or redemption amount;
  - b. revision of rating assigned to the Bonds;
- vi) The information referred to in para (e) above shall also be placed on the websites of the Trustees, company and BSE.

The Issuer shall, till the redemption of Bonds, submit its latest audited/ limited review half yearly consolidated (wherever available) and standalone financial information such as Statement of Profit & Loss, Balance Sheet and Cash Flow Statement and auditor qualifications, if any, to the Trustees within the timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 as amended from time to time. Besides, the Issuer shall within 180 days from the end of the financial year, submit a copy of the latest annual report to the Trustees and the Trustees shall be obliged to share the details so submitted with all Qualified Institutional Buyers (“QIBs”) and other existing Bondholder(s) within two working days of their specific request.

#### **(R) OTHER DETAILS:**

##### **i. DRR CREATION - RELEVANT REGULATIONS AND APPLICABILITY.**

As per clarification issued by the Department of Corporate Affairs, Government of India vide general circular no.4/2013 dated 11/02/2013, “the adequacy” of Debenture Redemption Reserve (DRR) will be 25% of the value of debentures issued through private placement basis and the same shall be required to be created only from out of the company’s profits.

##### **ii. ISSUE/INSTRUMENT SPECIFIC REGULATIONS - RELEVANT DETAILS (COMPANIES ACT, RBI GUIDELINES, ETC).**

1. Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular no. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392

dated October 12, 2012) CIR/IMD/DF/18/2013 Dated October 29, 2013 and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2014 issued vide circular no. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014.

2. The Companies Act, 2013 to that extent applicable and notified.

3. The Companies Act, 1956 provisions to the extent not replaced by notifications w.r.t Act of 2013 (18 of 2013)

### **iii. APPLICATION PROCESS.**

#### **PROCEDURE FOR APPLYING FOR DEMAT FACILITY**

1. The applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL/ CDSL prior to making the application.
2. The applicant must necessarily fill in the details (including the beneficiary account number and Depository Participant's ID appearing in the Application Form under the heading 'Details for Issue of Bonds in Electronic/ Dematerialized Form'.)
3. Bonds allotted to an applicant will be credited directly to the applicant's respective Beneficiary Account(s) with the DP.
4. For subscribing the Bonds names in the application form should be identical to those appearing in the account details in the depository. In case of joint holders the names should necessarily be in the same sequence as they appear in the account details in the depository.
5. Non-transferable allotment advice/refund orders will be directly sent to the applicant by the Registrars to the Issue.
6. If incomplete/incorrect details are given under the heading 'Details for Issue of Bonds in Electronic/ Dematerialized Form' in the application form it will be deemed to be an incomplete application and the same may be held liable for rejection at the sole discretion of the Company.
7. For allotment of Bonds the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The Applicant is therefore responsible for the correctness of his/her demographic details given in the application form vis-à-vis those with his/her DP. In case the information is incorrect or insufficient the Issuer would not be liable for losses, if any.
8. It may be noted that Bonds will be issued in electronic form. The same can be traded only on the Stock Exchanges having electronic connectivity with NSDL/ CDSL. The BSE Ltd, where the Bonds of the Company are proposed to be listed has connectivity with NSDL/ CDSL.
9. Payment of interest or repayment of principal would be made to those Bond holders whose names appear on the list of beneficial owners given by the Depositories to the Company as on Record Date/ Book Closure Date. In case of those Bond for which the

beneficial owner is not identified by the Depository as on the Record Date/ Book Closure Date, the Company would keep in abeyance the payment of interest or repayment of principal, till such time that the beneficial owner is identified by the Depository and conveyed to the Company, whereupon the interest or principal would be paid to the beneficiaries, as identified, within a period of 30 (thirty) days.

## **HOW TO APPLY**

This being a private placement offer, investors who are established/ resident in India as well as those FII and others, who are all listed as eligible vide sl.39 of TERM SHEET provided elsewhere in this document for this offer who have been addressed through this communication directly only are eligible to apply .As such for Eligible Investors please refer to the point39 in Summary of Term Sheet in this Disclosure Document. Applications should be for a minimum of 250 Bonds and in multiples of 50 bonds thereafter in respect of Series IV-D. Application form will be issued on pro-rata basis depending upon the intent amount to total intent received and retained by MTNL and shall be restricted to total 49 in case of non-QIB. Further, the basis of distribution of application form is at the sole discretion of MTNL.

Applicants may remit their application money by way of electronic transfer of funds through RTGS mechanism or through Core Banking Solution (CBS) for credit in the account of:

### **[A] DETAILS OF COLLECTION ACCOUNT, MTNL**

**Beneficiary Name : MTNL BOND COLLECTION A/C**  
**Beneficiary A/c No : 913020015558566**  
**Bank Name : Axis Bank Ltd**  
**Branch : 148, Statesman House Barakhambha Road New Delhi -110001**  
**Account Type : Current**  
**IFSC Code : UTIB0000007**

**Contact Person for the Collection Bank Account:-**

**Shree Aviral Mathur,**  
**Government Business Group**  
**Axis Bank ,New Delhi**  
**(L): 011- 4350 6529**  
**(M): +91 88008 55570**

### **[B] DETAILS OF ESCROW ACCOUNT, MTNL**

**Account Number : 000184400008358**  
**Account Name : MTNL Sovereign Guarantee Bonds Series – IV-D**  
**IFSC Code : YESB0000001**

**(Designated Account for funding by DOT for Debt servicing)**

All Application Forms duly completed (along with all necessary documents as detailed in this Disclosure Document) must be delivered before the closing of the issue to the Arranger to the Issue. While forwarding the application form, applicants must ensure that the relevant UTR number/ or any other evidence of having remitted the application money is obtained. Detailed instructions for filling up the application form are provided elsewhere in this Disclosure Document.

Applications for the Bonds must be in the prescribed form (enclosed) and completed in BLOCK LETTERS in English and as per the instructions contained therein. Applications not completed in the prescribed manner are liable to be rejected. The name of the applicant's bank, type of account and account number must be filled in the Application Form. This is required for the applicant's own safety and these details will be printed on the refund orders and interest/ redemption warrants.

The applicant or in the case of an application in joint names, each of the applicant, should mention his/her Permanent Account Number (PAN) allotted under the Income-Tax Act, 1961 or where the same has not been allotted, the GIR No. and the Income tax Circle/Ward/District. As per the provision of Section 139A (5A) of the Income Tax Act, PAN/GIR No. needs to be mentioned on the TDS certificates. Hence, the investor should mention his PAN/GIR No. if the investor does not submit Form 15G/15AA/other evidence, as the case may be for non-deduction of tax at source. In case neither the PAN nor the GIR Number has been allotted, the applicant shall mention "Applied for" and in case the applicant is not assessed to income tax, the applicant shall mention 'Not Applicable' (stating reasons for non applicability) in the appropriate box provided for the purpose. Application Forms without this information will be considered incomplete and are liable to be rejected.

Applications may be made in single or joint names (not exceeding three). In the case of joint applications, all payments will be made out in favour of the first applicant. All communications will be addressed to the first named applicant whose name appears in the Application Form at the address mentioned therein.

All applicants are requested to tick the relevant column "Category of Investor" in the Application Form. Public/ Private/ Religious/ Charitable Trusts, Provident Funds and Other Superannuation Trusts and other investors requiring "approved security" status for making investments.

No separate receipts shall be issued for the application money. However, Arranger to the Issue at their Designated Branch (es) receiving the duly completed Application Forms will acknowledge the receipt of the applications by stamping and returning the acknowledgment slip to the applicant. Applications shall be deemed to have been received by the Issuer Company only when submitted to Arranger to the Issue at their designated branches or on receipt by the Registrar as detailed above and not otherwise.

For further instructions, please read Application Form carefully.

## **WHO CAN APPLY**

The following categories are eligible to apply for this private placement of Bonds:

- Mutual Funds,
- Public Financial Institutions as defined in section 2(72) of companies act , 2013
- Scheduled Commercial Banks,
- Insurance Companies,
- Foreign Institutional Investors (subject to compliance with the SEBI/ RBI norms),
- Provident Funds, Gratuity Funds, Superannuation Funds and Pension Funds,

- Co-operative Banks, Regional Rural Banks authorized to invest in bonds/ debentures, Companies and Bodies Corporate authorized to invest in bonds/ debentures,
- Societies authorized to invest in bonds/ debentures,
- Trusts authorized to invest in bonds/ debentures, Statutory Corporations/ Undertakings established by Central/ State legislature authorized to invest in bonds/ debentures
- For full list of Eligible Investors please refer to the point 42 in Summary of Term Sheet in this Disclosure Document.

However, out of the aforesaid class of investors eligible to invest, this Disclosure Document is intended solely for the use of the person to whom it has been sent by the Company for the purpose of evaluating a possible investment opportunity by the recipient(s) in respect of the securities offered herein, and it is not to be reproduced or distributed to any other persons (other than professional advisors of the prospective investor receiving this Disclosure Document from the Company).

The applications must be accompanied by certified true copies of (1) Memorandum and Articles of Association/ Constitution/ Bye-laws (2) Resolution authorizing investment and containing operating instructions (3) Specimen signatures of authorized signatories and (4) Necessary forms for claiming exemption from deduction of tax at source on the interest income/ interest on application money, wherever applicable.

#### **APPLICATION UNDER POWER OF ATTORNEY OR BY LIMITED COMPANIES**

In case of applications made under a Power of Attorney or by a Limited Company or a Body Corporate or Registered Society or Mutual Fund, and scientific and/or industrial research organizations or Trusts etc, the relevant Power of Attorney or the relevant resolution or authority to make the application, as the case may be, together with the certified true copy thereof along with the certified copy of the Memorandum and Articles of Association and/or Bye-Laws as the case may be must be attached to the Application Form or lodged for scrutiny separately with the photocopy of the application form, quoting the serial number of the application form and the Bank's branch where the application has been submitted, at the office of the Registrars to the Issue after submission of the application form to the Bankers to the issue or any of the designated branches as mentioned on the reverse of the Application Form, failing which the applications are liable to be rejected. Such authority received by the Registrars to the Issue more than 10 days after closure of the subscription list may not be considered.

#### **APPLICATIONS UNDER POWER OF ATTORNEY**

A certified true copy of the power of attorney or the relevant authority as the case may be along with the names and specimen signature(s) of all the authorized signatories and the tax exemption certificate/ document, if any, must be lodged along with the submission of the completed Application Form. Further modifications/ additions in the power of attorney or authority should be notified to the Company or to its Registrars or to such other person(s) at such other address(es) as may be specified by the Company from time to time through a suitable communication.

## **APPLICATION BY MUTUAL FUNDS**

In case of applications by Mutual Funds, a separate application must be made in respect of each scheme of an Indian Mutual Fund registered with SEBI and such applications will not be treated as multiple applications, provided that the application made by the Asset Management Company/ Trustees/ Custodian clearly indicate their intention as to the scheme for which the application has been made.

## **RIGHT TO ACCEPT OR REJECT APPLICATIONS**

The Company reserves its full, unqualified and absolute right to accept or reject any application, in part or in full, without assigning any reason thereof. The rejected applicants will be intimated along with the refund warrant, if applicable, to be sent. Interest on application money will be paid from the date of realization of the cheque(s)/ demand drafts(s) till one day prior to the date of refund. The application forms that are not complete in all respects are liable to be rejected and would not be paid any interest on the application money. Application would be liable to be rejected on one or more technical grounds, including but not restricted to:

- Number of Bonds applied for is less than the minimum application size;
- Applications exceeding the issue size;
- Bank account details not given;
- Details for issue of Bonds in electronic/ dematerialized form not given; PAN/GIR and IT Circle/Ward/District not given;
- In case of applications under Power of Attorney by limited companies, corporate bodies, trusts, etc relevant documents not submitted;

In the event, if any Bond(s) applied for is/ are not allotted in full, the excess application monies of such Bonds will be refunded, as may be permitted.

## **SUBMISSION OF DOCUMENTS**

Investors should submit the following documents, wherever applicable:

- Memorandum and Articles of Association/ Documents governing Constitutional status
- Government notification/ Certificate of incorporation
- SEBI Registration Certificate, if applicable
- Resolution authorizing investment along with operating instructions
- Power of Attorney (original & certified true copy)
- Form 15AA granting exemption from TDS on interest, if any
- Form 15H for claiming exemption from TDS on interest on application money, if any.
- Order u/s197 of Income Tax Act, 1961
- Order u/s10 of Income Tax Act, 1961
- Specimen signatures of authorized persons.
- Pan card copy.

## FORCE MAJEURE

The Company reserves the right to withdraw the issue prior to the closing date in the event of any unforeseen development adversely affecting the economic and regulatory environment. The Company reserves the right to change the Issue Schedule.

## ADDITIONAL COVENANTS

### 1. Default in Payment:

In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of at least @ 2% p.a. over the coupon rate will be payable by the issuer for the defaulting period

### 2. Delay in Listing:

In case of delay in listing of the debt securities beyond 20 days from the deemed date of allotment, the issuer will pay penal interest of at least 1 % p.a. over the coupon rate from the expiry of 30 days from the deemed date of allotment till the listing of such debt securities to the investor.

## INVESTOR GRIEVANCE AND REDRESSAL SYSTEMS

Arrangements have been made to redress investor grievances expeditiously as far as possible, the Issuer endeavors to resolve the investor's grievances within 30 days of its receipt. All grievances related to the issue quoting the Application Number (including prefix), number of Bonds applied for, amount paid on application and details of collection centre where the Application was submitted, may be addressed to the Compliance Officer at registered office of the Issuer. All investors are hereby informed that the Issuer has appointed a Compliance Officer who may be contracted in case of any pre-issue/ post-issue related problems such as non-credit of letter(s) of allotment/ bond certificate(s) in the demat account, non-receipt of refund order(s), interest warrant(s)/ cheque(s) etc. Contact details of the Compliance Officer are given elsewhere in this Disclosure Document.

|                            |   |
|----------------------------|---|
| Investor Relations Officer | Mr. Jagdish Kumar   |
| Designation/ Dept          | DGM (IA & DM)   |
| Address                    | Mahanagar Door Sanchar Sadan,<br>4520,4 <sup>th</sup> floor,9, CGO Complex, Lodhi Road,<br>New Delhi – 110003 |
| Mobile No.                 | 9868134484  |
| Ph NO                      | 011-24328184  |
| Fax                        | 011-24310874  |
| Email                      | <a href="mailto:dgmiadm@gmail.com">dgmiadm@gmail.com</a>  |

## ISSUE SIZE

The issuer proposes to issue unsecured, redeemable, Non-Convertible, Taxable Bonds to be listed backed by Sovereign guarantee, in the nature of Debentures with 10 years maturity with series IV-D (face value of Rs 10 Lakhs) of Rs 500 Crores with green shoe option of Rs 1,768.90 Crores, aggregating to Rs.2,268.90 Crores through private placement basis.



## **DETAILS OF UTILIZATION OF THE ISSUE PROCEEDS**

The proceeds of the issue shall be utilized to discharge the existing loan liabilities.

## **ANY MATERIAL EVENT/ DEVELOPMENT OR CHANGE AT THE TIME OF ISSUE OR SUBSEQUENT TO THE ISSUE WHICH MAY AFFECT THE ISSUE OR THE INVESTOR'S DECISION TO INVEST/ CONTINUE TO INVEST IN THE DEBT SECURITIES**

The Company hereby declares that there has been no material event, development or change at the time of issue which may affect the issue or the investor's decision to invest/ continue to invest in the debt securities of the Company **except as otherwise mentioned in this document elsewhere.**

## **PARTICULARS OF THE DEBT SECURITIES ISSUED (I) FOR CONSIDERATION OTHER THAN CASH, WHETHER IN WHOLE OR PART, (II) AT A PREMIUM OR DISCOUNT, OR (III) IN PURSUANCE OF AN OPTION**

The Company confirms that other than and to the extent mentioned elsewhere in this Disclosure Document, it has not issued any shares or debt securities or agreed to issue any shares or debt securities for consideration other than cash, whether in whole or in part, at a premium or discount or in pursuance of an option since inception.

## **AN UNDERTAKING THAT THE ISSUER SHALL USE A COMMON FORM OF TRANSFER**

The Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Company.

The Company undertakes that it shall use a common form/ procedure for transfer of Bonds issued under terms of this Disclosure Document.

## **TERMS AND CONDITIONS OF THE ISSUE**

This is a confidential Disclosure Document setting out the terms and conditions pertaining to issue of Government Of India Guaranteed, Unsecured, Listed, Redeemable Non-Convertible Bonds in the Nature of Debentures of the face value of Rs.10 lacs (Rupees Ten Lacs Only) each for cash at par to be issued by MTNL (the issuer) for Series IV-D. Your participation is subject to the completion and submission of Application Form along with cheque(s) / draft(s) where necessary and acceptance of the offer by the Company.

## **PRESENT ISSUE**

Mahanagar Telephone Nigam Ltd (MTNL). (hereinafter referred to as the Company/'Issuer') proposes to raise Government Of India Guaranteed, Unsecured, Listed, Redeemable Non-Convertible, Taxable Bonds in the Nature of Debenture (hereinafter referred to as 'the Bonds') of Rs. 500 Crores with green shoe option i.e. to retain over subscription up to another Rs. 1768.90 Crores for Series IV-D aggregating to Rs 2268.90 crores.

## **MARKET LOT**

The market lot will be one Bond ("Market Lot"). Since the Bonds are being issued only in dematerialised form, the odd lots will not arise either at the time of issuance or at the time of transfer of Bonds.

The market lot will be one Bond of the face value of Rs.10 lacs (Rupees Ten Lacs Only) for Series IV-D.

## **LISTING**

The Company proposes to list these Bonds on the Wholesale Debt Market (WDM) Segment of the Bombay Stock Exchange Limited ("BSE").

## **AUTHORITY FOR THE ISSUE**

This private placement of Bonds is being made pursuant to the resolution of the Board of Directors of Mahanagar Telephone Nigam Ltd (MTNL) and presidential approval vide letter number 19-4/2014-SU-II dated 10<sup>th</sup> November 2014. The private placement of Bonds is within the overall borrowing limits of the Company of Rs 15000 Crores as decided in the 7<sup>th</sup> Extra-Ordinary General Meeting of MTNL held on 26-02-2014 as well as authorised in the AGM of the company held on 30-09-2014.

## **GUARANTEE**

The Bonds are backed with unconditional and irrevocable guarantee from the Government of India and also the liability of funding for Timely Payment of Interest and repayment of principal Amount on Govt. of India.

## **OBJECTS OF THE PLACEMENT**

The proceeds of the issue shall be utilized to discharge the existing loan liabilities of MTNL. The expenses of the present issue would be met initially by MTNL and there after necessary claim shall be raised against D.O.T. The Main Object clause of the Memorandum of Association of the Company enables it to undertake the activities for which the funds are being raised through the present issue and also the activities which the Company has been carrying on till date. The proceeds of this Issue after meeting all expenses of the Issue will be used by the Company for meeting issue objects.

## **NATURE OF INSTRUMENT**

Government Of India Guaranteed, Unsecured, Listed, Redeemable, Non-Convertible, Taxable Bonds in the Nature of Debentures.

## **PAYMENT TERMS**

The full face value of the Bonds applied for is to be paid along with the Application Form. Investor(s) need to send in the Application Form and the RTGS / cheque(s)/ demand draft(s) for the full face value of the Bonds applied for.

## **UNDERWRITING**

The present Issue of Bonds on private placement basis has not been underwritten.

## **FACE VALUE, ISSUE PRICE, EFFECTIVE YIELD FOR INVESTOR**

Each Bond has a face value of Rs. 10, 00,000/- (Rupees Ten Lacs Only) and is issued at par i.e. for Rs. 10, 00,000/- (Rupees Ten Lacs Only) in case of the series IV-D.

The Bonds shall be redeemable at par i.e. for Rs. 10, 00,000/- (Rupees Ten Lacs Only) per Bond in case of series IV-D. Since there is no premium or discount on either issue price or on redemption value of the Bonds, the effective yield for the investors shall be the same as the coupon rate on the Bonds. The fixed spread finalized by MTNL based on bids received, shall be added to the underlying benchmark rate. The Underlying Benchmark rate is **8.19%** for 10 Years maturity.

## **MINIMUM APPLICATION**

250 Bonds and in multiples of 50 bonds thereafter in respect of Series IV-D only. Application form will be issued on prorated basis depending upon the intent amount to total intent received and retained by MTNL and shall be restricted to total 49 in case of non-QIB. Further, the basis of distribution of application form is at the sole discretion of MTNL.

## **MINIMUM SUBSCRIPTION**

As the current issue of Bonds is being made on private placement basis, the requirement of minimum subscription shall not be applicable and therefore the Company shall not be liable to refund the issue subscription(s)/ proceed(s) in the event of the total issue collection falling short of issue size or certain percentage of issue size.

## **INTEREST ON APPLICATION MONEY**

Interest at appropriate coupon rate payable semi annually (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) will be paid to all the applicants on the application money for the Bonds.

Such interest on application money shall be paid from the date of realisation of application money up to one day prior to the Deemed Date of Allotment. The interest on application money will be computed on an Actual day basis. Such interest would be paid on all the valid applications, including the refunds. Where the entire subscription amount has been refunded, the interest on application money will be paid along with the Refund Orders. Where an applicant is allotted lesser number of Bonds than applied for, the excess amount paid on application will be refunded to the applicant along with the interest on refunded money.

In case of any delay in allotment beyond 15 working days from the date of closure of issue, interest would be payable at the contracted rate for the period of delay, subject to a maximum of 15 (fifteen) days.

The interest cheque(s)/ demand draft(s) for interest on application money (along with Refund Orders. in case of refund of application money, if any) shall be dispatched by the company within 15 (fifteen) days from the Deemed Date of Allotment and the relative interest warrant(s) along with the Refund Order(s) as the case may be will be dispatched by registered post to the sole/ first applicant at the sole risk of the applicant.

### **INTEREST ON THE BONDS**

The Bonds shall carry interest at appropriate coupon rate p.a. payable semi annually (subject to deduction of tax at source at the rates prevailing from time to time under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof for which a certificate will be issued by the Company) on the outstanding principal amount of Bonds. The interest shall be serviced annually throughout the tenure of the Bonds till final redemption. Final interest payment shall be made on the date of maturity. Interest on Bonds will cease from the date of final redemption in all events.

Payment of interest shall be made by way of cheque(s)/ interest warrant(s)/ credit through RTGS mechanism. When interest payment is made by way cheque(s), the same shall be dispatched by the Company at least 7 (seven) days prior to the due date and shall be dispatched by registered post to the sole/ first applicant, at the sole risk of the applicant.

If any interest payment date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in Delhi), then payment of interest will be made on the next day that is a business day as per SEBI circular dated October 29<sup>th</sup> 2013.

### **PAYMENT OF INTEREST**

Payment of interest and repayment of principal shall be made by way of cheque(s)/ demand draft(s)/ RTGS/ NEFT mechanism.

### **COMPUTATION OF INTEREST**

Interest for each of the interest periods shall be computed as per Actual/ Actual day count convention on the face value amount of Bonds outstanding at the Coupon Rate rounded off to the nearest Rupee. Where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days-a-year basis, on the face value amount of Bonds outstanding.

### **RECORD DATE**

The "Record Date" for the Bonds shall be 15 (Fifteen) days prior to the interest payment and/ or principal repayment date. Interest and/or principal repayment shall be made to the person whose name appears as sole/ first in the register of bond holders/ beneficiaries position of the Depositories on record date. In the event of the Company not receiving any notice of transfer at least 15 (Fifteen) days before the respective due date of payment of interest and at least 15 (Fifteen) days prior to the maturity date, the transferees for the Bonds shall not

have any claim against the Company in respect of interest so paid to the registered bond holder.

#### **CALL OPTION**

Not Applicable for this Issue.

#### **TAX DEDUCTION AT SOURCE**

Tax as applicable under the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof will be deducted at source. Tax exemption certificate/ document, under Section 193 of the Income Tax Act, 1961, if any, must be lodged at the registered office of the Company or at such other place as may be notified by the company in writing, at least 30 (thirty) calendar working days before the interest payment dates.

Tax exemption certificate/ declaration of non-deduction of tax at source on interest on application money, should be submitted along with the application form. Where any deduction of Income Tax is made at source, the Company shall send to the Bondholder(s) a Certificate of Tax Deduction at Source. Regarding deduction of tax at source and the requisite declaration forms to be submitted, prospective investors are advised to consult their own tax consultant(s).

Tax Deducted at source will be paid to Income tax authorities on accrual or payment whichever is earlier basis

#### **TAX BENEFITS TO THE BOND HOLDERS OF THE COMPANY**

The holder(s) of the Bonds are advised to consider in their own case, the tax implications in respect of subscription to the Bonds after consulting their own tax advisor/ counsel.

#### **DEPOSITORY ARRANGEMENTS**

The Company has appointed **Karvy Computershare Pvt. Ltd**, New Delhi as Registrars & Transfer Agent for the present bond issue. The Company shall make necessary depository arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for issue and holding of Bond in dematerialized form. In this context the Company shall sign two tripartite agreements as under:

- Tripartite Agreement between Issuer Company, RTA and National Securities Depository Ltd. (NSDL) for offering depository option to the investors.
- Tripartite Agreement between Issuer Company, RTA and Central Depository Services (I) Ltd. (CDSL) for offering depository option to the investors.

Investors can hold the Bonds only in dematerialized form and deal with the same as per the provisions of Depositories Act, 1996 as amended from time to time.

#### **BASIS OF ALLOCATION / ALLOTMENT**

Allotment of Bonds shall be made as per the following:

In this regard, MTNL follows the process as given below:

1. L1 bidder shall be accepted on the basis of least spread quoted over the underlying benchmark, with upper ceiling of spread of up to 60 bps.
2. Special privilege shall be given to L1 bidder to enhance its fund commitment immediately after the bid opening to the extent L1 bidder agrees, subject to overall size of the issue.
3. In case issue does not get subscribed fully as per point 2 above, counter offer will be given to other bidders in order of their original ranking based on spread quote at L1 quoted spread, till issue is fully subscribed.
4. In case where there are multiple bidders at same level i.e. who has quoted same spread and same committed amount then amount shall be apportioned on pro rata basis. Otherwise ranking on priority shall be in order of amount of commitment quoted from highest to lowest for considering the original quoted amount. For additional commitment beyond original commitment after original committed amount in the bid from the bidders at the same stage is exhausted, the opportunity will be given in the ranking of higher commitment amount to lower commitment amount as per the original bid.
5. MTNL reserves the right to split the size of the issue for mobilisation of funds through one or more than one arranger.
6. The finalised list of arrangers and the quantum of investment shall be decided by MTNL which shall be final.

MTNL reserves the right, to reject any or all the bid(s) received from the bidders without assigning any reason.

1. Bids shall be accepted only if the bidder is complying with the minimum commitment of Rs 200 Crs against series IV-D. The bid with less than the prescribed commitment will be straight-way rejected and will not be evaluated further.
2. Conditional bid shall be summarily rejected.
3. In case of non fulfilment of the committed amount on selection as arranger, the bidder is likely to be blacklisted i.e. with consequential effect of debarment from participation in MTNL future issues for a period of 1 year from the date of present issue closing.
4. Based on the letters of intent/offers received by the scheduled time and during further proceedings in the bid opening, the final coupon rate and quantum including the exercising of green shoe option and the number of arrangers in their order of ranking etc. shall be determined by MTNL which shall be final.

MTNL reserves its absolute right to modify/pre-pone/postpone the above issue schedule without giving any reasons or prior notice in the event of which the shortlisted arrangers shall be appraised about revised time.

The Bidders are advised to quote strictly in the enclosed format, **“Annexure-II”** giving firm quotes only. Bids with indicative rates/cut off rate & tentative amount are liable for rejection.

The validity of the quotes should at least be up to pay-in date i.e 28.11.2014.

Arranger(s) has to ensure submission of complete details of the prospective investors on whose behalf they have quoted in the format enclosed at Annexure **IV**, by same day/following day from the date of intimation letter from MTNL for the No. Of Bonds blocked for each of the respective Arranger.

The details as above are to be submitted in physical form within the allowed time. Any deviation or delay in submission of the required details by the Arranger(s) may result in rejection in part or in total of their bid and any action/decision taken by MTNL in this regard will be final and binding on Arranger(s) including placing the Arranger(s) on the Holiday list for 1 year from the date of issue of intimation letter by MTNL.

Conditional Bid/Quote giving any structure other than as stated shall not be acceptable and shall be rejected

**The distribution of application form will be done on pro-rata basis depending upon the intent amount to total intent received and retained by the MTNL and shall be restricted to 49 in case of non-QIBs. Further, the basis of distribution of application form is at the sole discretion of the MTNL.**

### **TRADING OF BONDS**

The marketable lot for the purpose of trading of Bonds shall be 1 (one) Bond of face value of Rs. 10 Lacs each. Trading of Bonds would be permitted in demat mode only in standard denomination of Rs. 10 Lacs in case of Series IV-D. Such trades shall be cleared and settled in recognized stock exchange(s) subject to conditions specified by SEBI. In case of trading in Bonds which has been made over the counter, the trades shall be reported on a recognized stock exchange having a nationwide trading terminal or such other platform as may be specified by SEBI.

### **REDEMPTION**

The face value of the Bonds shall be redeemed at par, on the Redemption Date. The Bonds will not carry any obligation, for interest or otherwise, after the Redemption Date. The Bonds shall be taken as discharged on payment of the redemption amount by the Issuer on the Redemption Date to the registered Bondholders whose name appear in the Register of Bondholders on the Record Date. Such payment will be a legal discharge of the liability of the Issuer towards the Bondholders.

Redemption will be at par at the end of 10<sup>th</sup> year from deemed date of allotment.

In case if the principal redemption date falls on a day which is not a Business Day ('Business Day' being a day on which Commercial Banks are open for Business in Delhi), then the payment due shall be made on previous working day as per SEBI circular dated October 29<sup>th</sup>, 2013.

### **PAYMENT ON REDEMPTION**

Payment on redemption will be made by cheque(s)/ warrants(s)/RTGS in the name of the Bond holder whose name appears on the List of Beneficial owners given by Depository to the Company as on the Record Date. On the Company dispatching the redemption warrants to such Beneficiary (ies) by registered post/ courier, the liability of the Company shall stand extinguished.

The Bonds shall be taken as discharged on payment of the redemption amount by the Company on maturity to the list of Beneficial Owners as provided by NSDL/ CDSL/ Depository Participant. Such payment will be a legal discharge of the liability of the Company towards the Bond holders. On such payment being made, the Company will inform NSDL/ CDSL/



Depository Participant and accordingly the account of the Bond holders with NSDL/ CDSL/ Depository Participant will be adjusted.

The Company's liability to the Bond holders towards all their rights including for payment or otherwise shall cease and stand extinguished from the due date of redemption in all events. Further the Company will not be liable to pay any interest or compensation from the date of redemption. On the Company dispatching the amount as specified above in respect of the Bonds, the liability of the Company shall stand extinguished.

### **FICTITIOUS APPLICATIONS**

In terms of Section 36 of the Companies Act, 2013, any person who makes, in fictitious name, any application to a body corporate for acquiring, or subscribing to, the bonds, or otherwise included a body corporate to allot, register any transfer of bonds therein to them or any other person in a fictitious name, shall be punishable in terms of section 447 with imprisonment for a term which shall not be less than 6 months but may extend to 10 years with liability to fine which shall not be less than the amount involved in the fraud but which may extend to three times the amount involved in the fraud , the term of imprisonment shall not be less than 3 years.

### **SECURITY**

Should any of dates defined above or elsewhere in the Disclosure Document, excepting the Deemed Date of Allotment, fall on a Saturday, Sunday or a Public Holiday, the next working day shall be considered as the effective date(s). If the maturity date falls on Sunday or on holiday, the redemption and accrued interest proceeds shall be paid on the previous working day. However if the coupon payment(interest) date of debt securities falls on a holiday or a Sunday, the coupon payment shall be made on the next working day.

### **LIST OF BENEFICIAL OWNERS**

The Company shall request the Depository to provide a list of Beneficial Owners as at the end of the Record Date. This shall be the list, which shall be considered for payment of interest or repayment of principal amount on maturity, as the case may be.

### **TRUSTEE**

**SBICAP Trustee Co. Ltd.** will be the Trustees for the Private placement issue of Government of India Guaranteed, Unsecured, Listed, Redeemable, Non-Convertible, taxable Bonds. The company and the Trustees will enter into a Trustee Agreement, inter alia, specifying the powers, authorities and obligations of the Trustees and the company. The bond holder(s) shall without further act or deed, be deemed to have irrevocably given their consent to the Trustees or any of their agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the Bonds as the Trustees may in their absolute discretion deem necessary or require to be done in the interest of the bond holder(s). Any payment made by the company to the Trustees on behalf of the bond holder(s) shall discharge the pro tanto to the bond holder(s). The Trustees will protect the interest of the Bond holders in the event of default by the company in regard to timely repayment of principal and they will take necessary action at the cost of the company. No bond holder shall be entitled to proceed



directly against the company unless the Trustees fail to do so.

#### **LETTER OF ALLOTMENT AND BOND CERTIFICATE**

The beneficiary account of the investor(s) with National Securities Depository Limited (NSDL)/ Central Depository Services (India) Limited (CDSL)/ Depository Participant will be given initial credit within 2 days from the Deemed Date of Allotment. The initial credit in the account will be akin to the Letter of Allotment. On completion of the all statutory formalities, such credit in the account will be akin to a Bond Certificate.

#### **ISSUE OF BOND CERTIFICATE(S)**

The Bonds since issued in electronic (dematerialized) form, will be governed as per the provisions of The Depository Act, 1996, Securities and Exchange Board of India (Depositories and Participants) Regulations, 1996, rules notified by NSDL/ CDSL/ Depository Participant from time to time and other applicable laws and rules notified in respect thereof.

#### **DISPATCH OF REFUND ORDERS**

The Company shall ensure dispatch of Refund Order(s) by Registered Post only and adequate funds for the purpose shall be made available to the Registrar to the Issue by the Issuer Company.

#### **ISSUE OF DUPLICATE BOND CERTIFICATES**

If any Bond Certificate(s) is / are mutilated or defaced, then, upon production of such certificate(s), the Company shall cancel the same and issue new certificate(s) in lieu thereof. If any Bond Certificate(s) is/are lost, stolen or destroyed then, upon production of proof thereof to the satisfaction of the Company and upon furnishing such indemnity, as the Company may deem adequate and upon payment of any expenses incurred by the Company or that the Company may be required to incur in connection thereof, new certificate(s) shall be issued.

#### **TERMS OF PAYMENT**

The full face value of the Bonds applied for is to be paid along with the Application Form. Investor(s) need to send in the Application Form and the cheque(s)/ demand draft(s)/RTGS for the full face value of the Bonds applied for

#### **DEEMED DATE OF ALLOTMENT**

Interest on Bonds shall accrue to the Bond holder(s) from the Deemed Date of Allotment. All benefits relating to the Bonds will be available to the investors from the Deemed Date of Allotment. The actual allotment of Bonds may take place on a date other than the Deemed Date of Allotment. The Company reserves the right to keep multiple allotment date(s)/ deemed date(s) of allotment at its sole and absolute discretion without any notice. In case if the issue closing date is changed (preponed/ postponed), the Deemed Date of Allotment may also be changed (preponed/ postponed) by the Company at its sole and absolute discretion.

## **JOINT-HOLDERS**

Where two or more persons are holders of any Bond(s), they shall be deemed to hold the same as joint tenants with benefits of survivorship subject to other provisions contained in the Articles.

## **SHARING OF INFORMATION**

The Company may, at its option, use on its own, as well as exchange, share or part with any financial or other information about the Bond holders available with the Company, with its subsidiaries and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither the Company or its subsidiaries and affiliates nor their agents shall be liable for use of the aforesaid information.

## **MODE OF TRANSFER**

Bonds shall be transferred subject to and in accordance with the rules/ procedures as prescribed by the NSDL/ CDSL/ Depository Participant of the transferor/ transferee and any other applicable laws and rules notified in respect thereof. The normal procedure followed for transfer of securities held in dematerialized form shall be followed for transfer of these Bonds held in electronic form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

Transfer of Bonds to and from NRIs/ OCBs, in case they seek to hold the Bonds and are eligible to do so, will be governed by the then prevailing guidelines of RBI. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/ redemption will be made to the person, whose name appears in the records of the Depository. In such cases, claims, if any, by the transferee(s) would need to be settled with the transferor(s) and not with the Company.

## **SUCCESSION**

In the event of the demise of the sole/first holder of the Bond(s) or the last survivor, in case of joint holders for the time being, the Company shall recognize the executor or administrator of the deceased Bond holder, or the holder of succession certificate or other legal representative as having title to the Bond(s). The Company shall not be bound to recognize such executor or administrator, unless such executor or administrator obtains probate, wherever it is necessary, or letter of administration or such holder is the holder of succession certificate or other legal representation, as the case may be, from a Court in India having jurisdiction over the matter. The Company may, in its absolute discretion, where it thinks fit, dispense with production of probate or letter of administration or succession certificate or other legal representation, in order to recognize such holder as being entitled to the Bond (s) standing in the name of the deceased Bond holder on production of sufficient documentary proof or indemnity.

Where a non-resident Indian becomes entitled to the Bond by way of succession, the following steps have to be complied with:

- Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the Bond was acquired by the NRI as part of the legacy left by the deceased holder.
- Proof that the NRI is an Indian National or is of Indian origin.

Such holding by the NRI will be on a non-repatriation basis.

### **NOMINATION**

Section 72 of companies act 2013 and rule 19 of Companies (Share Capital and Debentures) Rules, 2014 In the event of, however, a deceased Bondholder having nominated any person entitled to be registered as the Bondholder in the event of his death, such nominee shall be registered as the Bondholder in place of the deceased Bondholder, notwithstanding anything contained in any other law for the time being in force.

### **FUTURE BORROWINGS**

The Company shall be entitled, from time to time, to make further issue of bonds and / or Bonds and other such instruments to the public / members of the Company / banks / financial institutions / bodies corporate /mutual funds and / or any other person(s) and /or to raise further loans, advances and/or avail of further financial and / or guarantee facilities from all or any of the above without obtaining the approval of the Bondholders and/or the Trustee.

### **RIGHTS OF BOND HOLDERS**

The Bond holders will not be entitled to any rights and privileges of share holders other than those available to them under statutory requirements. The Bonds shall not confer upon the holders the right to receive notice, or to attend and vote at the general meetings of shareholders of the Company. The principal amount and interest, if any, on the Bonds will be paid to the sole holder only, and in the case of joint holders, to the one whose name stands first in the Register of Bond holders. The Bonds shall be subject to other usual terms and conditions incorporated in the Bond certificate(s) that will be issued to the allottee (s) of such Bonds by the Company and also in the Trustee Agreement .

### **MODIFICATION OF RIGHTS**

The rights, privileges, terms and conditions attached to the Bonds may be varied, modified or abrogated with the consent, in writing, of those holders of the Bonds who hold at least three fourth of the outstanding amount of the Bonds or with the sanction accorded pursuant to a resolution passed at a meeting of the Bondholders, provided that nothing in such consent or resolution shall be operative against the Company where such consent or resolution modifies or varies the terms and conditions of the Bonds, if the same are not acceptable to the Company.

### **BONDHOLDER NOT A SHAREHOLDER**

The bondholders will not be entitled to any of the rights and privileges available to the shareholders. If, however, any resolution affecting the rights attached to the Bonds is placed before the members of the Company, such resolution will first be placed before the bondholders through the Trustees for their consideration.

## **PURCHASE/ SALE OF BONDS**

The Company may, at any time and from time to time, purchase Bonds at discount, at par or at premium in the open market or otherwise in accordance with the applicable laws. Such Bonds, at the option of the Company, may be cancelled, held or resold at such price and on such terms and conditions as the Company may deem fit and as permitted by law.

## **RIGHT TO RE-ISSUE OF BONDS**

Where the Company has redeemed any such Bonds, subject to provisions of company law and other applicable provisions, the Company shall have and shall be deemed always to have had the right to keep such Bonds alive for the purpose of re-issue and in exercising such right, the Company shall have and shall be deemed always to have had the power to re-issue such Bonds as per the provisions of law either by reissuing the same Bonds or by issuing other Bonds in their place

## **NOTICES**

The notices to the Bond holder(s) required to be given by the Company or the Trustee shall be deemed to have been given if sent by post to the sole / first allottee or sole / first registered holder of the Bonds, as the case may be.

All notices to be given by the Bond holder(s) shall be sent by registered post or by hand delivery to the corporate office of the Company or to such persons at such address as may be notified by the Company from time to time. All correspondence regarding the bonds should be marked

**“PRIVATE PLACEMENT OF GOVERNMENT OF INDIA GUARANTEED, UNSECURED, LISTED, AND REDEEMABLE NON-CONVERTIBLE, TAXABLE BONDS IN THE NATURE OF DEBENTURES”.**

## **PAN/GIR NUMBER**

All applicants should mention their Permanent Account Number or the GIR Number allotted under Income Tax Act, 1961 and the Income Tax Circle/ Ward/ District. In case where neither the PAN nor the GIR Number has been allotted, the fact of such a non-allotment should be mentioned in the Application Form in the space provided.

## **SIGNATURES**

Signatures should be made in English or in any of the Indian Languages. Thumb impressions must be attested by an authorized official of a Bank or by a Magistrate/ Notary Public under his/her official seal.

## **NOMINATION FACILITY**

As per Section 72 of the Companies Act, 2013, only individuals applying as sole applicant/Joint Applicant can nominate, in the prescribed manner, a person to whom his Bonds shall vest in the event of his death. Non-individuals including holders of Power of Attorney cannot nominate.

## DISPUTES & GOVERNING LAW

The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof will be subject to the exclusive jurisdiction of the courts at New Delhi.

## COMPLIANCE OFFICER

Name : Mr. S R Sayal (Company Secretary)  
Phone : 011-24317225  
Fax : 011-24315655  
Email : [mtnlcsco@gmail.com](mailto:mtnlcsco@gmail.com)

## THE DISCOUNT AT WHICH SUCH OFFER IS MADE AND THE EFFECTIVE PRICE FOR THE INVESTOR AS A RESULT OF SUCH DISCOUNT

The bonds are being issued at face value and not at discount to offer price.

## SERVICING BEHAVIOR ON EXISTING DEBT SECURITIES, PAYMENT OF DUE INTEREST ON DUE DATES ON TERM LOANS AND DEBT SECURITIES

The Company hereby confirms that the

1. The Company has been servicing all its principal and interest liabilities on time and there has been no instance of delay or default since inception.
2. The Company has neither defaulted in repayment/ redemption of any of its borrowings nor affected any kind of roll over against any of its borrowings in the past.

## MATERIAL CONTRACTS & AGREEMENTS INVOLVING FINANCIAL OBLIGATIONS OF THE ISSUER

### A. Material Contracts

- i) Copy of letter appointing Registrar and Transfer Agents and copy of MoU entered into between the Company and the Registrar.
- ii) Copy of Consent letter of appointment from **SBICAP Trustee Co. Ltd.** as Trustees to the bond holders
- iii) Copy of consent letter for credit ratings from Credit Rating Agencies, **CARE** letter Dated 13<sup>th</sup> Nov 2014 and **CRISIL** letter dated 13<sup>th</sup> Nov 2014.

### B Documents:

- iv) Memorandum and Articles of Association of the Company as amended from time to time.
- v) Government of India Guaranteed letter dated 21-10-2014
- vi) Letter of consent from Karvy Computershare Pvt. Ltd. New Delhi Dated November 24 2014 for acting as Registrars to the Issue.

**DISCLOSURE OF CASH FLOWS****Details of Principal and Interest, year wise on semi-annual basis**

|  |   |
|--|---|
| <b>Company</b>   | <b>MAHANAGAR TELEPHONE NIGAM LTD.</b>   |
| <b>Series</b>  | <b>IV D</b>   |
| Tenure   | 10 Years  |
| Face Value (per security) (Rs)                         | 1,000,000.00  |
| Number of Bonds  | 22689   |
| Total Bond Amount (Rs)                                 | 22,68,90,00,000 (i.e.Rs2268.90 Crs)   |
| Issue Date/Date of Allotment                           | 28-11-2014  |
| Redemption   | 28.11.2024  |
| Coupon Rate (%)  | <b>8.29% Annual Payable Semi-annually</b>   |
| Frequency of the interest payment with specified dates | First interest on 28 <sup>th</sup> May 2015 and subsequent on 28 <sup>th</sup> November 2015, semi annually till maturity |
| Day count Convention                                   | Actual/Actual   |

**Cash Flow for 10 Years Maturity\***

| Coupon                  | Coupon Date                  | No. Of Days in Coupon Period | Coupon & Principal Amount (In Rupees) |
|-------------------------|------------------------------|------------------------------|---------------------------------------|
|                         |                              |                              | Series IV D                           |
|                         |                              |                              | For each bond of Rs 10,00,000         |
| 1 <sup>st</sup> Coupon  | Thursday, May 28, 2015       | 181                          | 41,109                                |
| 2 <sup>nd</sup> Coupon  | Saturday, November 28, 2015  | 184                          | 41,791                                |
| 3 <sup>rd</sup> Coupon  | Saturday, May 28, 2016       | 182                          | 41,223                                |
| 4 <sup>th</sup> Coupon  | Monday, November 28, 2016    | 184                          | 41,677                                |
| 5 <sup>th</sup> Coupon  | Monday, May 29, 2017         | 182                          | 41,336                                |
| 6 <sup>th</sup> Coupon  | Tuesday, November 28, 2017   | 183                          | 41,564                                |
| 7 <sup>th</sup> Coupon  | Monday, May 28, 2018         | 181                          | 41,109                                |
| 8 <sup>th</sup> Coupon  | Wednesday, November 28, 2018 | 184                          | 41,791                                |
| 9 <sup>th</sup> Coupon  | Tuesday, May 28, 2019        | 181                          | 41,109                                |
| 10 <sup>th</sup> Coupon | Thursday, November 28, 2019  | 184                          | 41,791                                |
| 11 <sup>th</sup> Coupon | Thursday, May 28, 2020       | 182                          | 41,223                                |
| 12 <sup>th</sup> Coupon | Saturday, November 28, 2020  | 184                          | 41,677                                |
| 13 <sup>th</sup> Coupon | Friday, May 28, 2021         | 181                          | 41,109                                |
| 14 <sup>th</sup> Coupon | Monday, November 29, 2021    | 185                          | 42,018                                |
| 15 <sup>th</sup> Coupon | Saturday, May 28, 2022       | 180                          | 40,882                                |
| 16 <sup>th</sup> Coupon | Monday, November 28, 2022    | 184                          | 41,791                                |
| 17 <sup>th</sup> Coupon | Monday, May 29, 2023         | 182                          | 41,336                                |
| 18 <sup>th</sup> Coupon | Tuesday, November 28, 2023   | 183                          | 41,450                                |
| 19 <sup>th</sup> Coupon | Tuesday, May 28, 2024        | 182                          | 41,223                                |
| 20 <sup>th</sup> Coupon | Thursday, November 28, 2024  | 184                          | 41,791                                |
| <b>Principal</b>        | Thursday, November 28, 2024  |                              | <b>1,000,000.00</b>                   |
| <b>Total</b>            |                              |                              | <b>1,829,000.00</b>                   |

**\*Notes:**

1. The above statement is prepared in accordance with the SEBI Circular CIR/IMD/DF/18/2013 dated October 29, 2013.
2. Coupon Amount will change subject to the Number of days in Coupon Period. However, the exact amount of interest will be intimated by M/s Karvy Computershare Pvt. Ltd. one day after the respective record dates.
3. \*28th May 2017, 28th November 2021 & 28th May 2023 falls on Sunday, therefore, coupon is paid on the following working day and has been calculated for 182 days, 185 days & 182 days respectively.
4. If the coupon payment date of the debt securities, falls on a Sunday or a holiday the coupon payment shall be made on the next working day. If the maturity date of the debt securities, falls on a Sunday or a holiday, the redemption proceeds shall be paid on the previous working day. Accordingly, if the payment date fall on Sunday or holiday, the necessary calculation for interest payable may kindly be made.
5. The interest payment should be rounded to nearest rupee as per FIMMDA 'Handbook on market practices' as per the SEBI circular No. CIR/IMD/DF/18/2013 dated October 29, 2013.

## INDICATIVE TERM SHEET WITH GENERAL TERMS AND CONDITIONS FOR THE PROPOSED BOND ISSUE

| Sr. No. | Particulars                    | Description   |
|---------|--------------------------------|---|
| 1.      | Issuer                         | MAHANAGAR TELEPHONE NIGAM LIMITED, NEW DELHI  |
| 2.      | Instrument                     | Government of India guaranteed, unsecured, redeemable, Non Convertible Taxable Bonds in the nature of debentures ("Bonds") to be listed in WDM segment of BSE.  |
| 3.      | Form of Issuance               | In dematerialized form only   |
| 4.      | Mode of Issue                  | Private Placement   |
| 5.      | Objects of the issue           | The proceeds from the bonds raised will be utilized to discharge MTNL's existing loan liabilities.  |
| 6.      | Total proposed debt            | <b>Rs. 2,268.90 Crores</b> -Series IV-D/2014 - Rs. 500 Crores with green shoe option to retain any over subscription up to another Rs 1768.90 Crores with 10 years tenure.  |
| 7.      | Issue Opening Date             | November 28, 2014   |
| 8.      | Issue Closing Date             | November 28, 2014   |
| 9.      | Pay-In Date                    | November 28, 2014   |
| 10.     | Deemed Date of Allotment       | November 28, 2014   |
| 11.     | Security/ Government Guarantee | The Bonds shall be backed with unconditional and irrevocable guarantee from the Government of India and the obligations of interest and repayment of principal amount will be discharged by the Govt. of India through funding the Designated Trust and Retention Account.  |
| 12.     | Condition Precedent            | Guarantee proposed to have following mechanism :<br>The Trustee shall, within 30 days before the due date, inform the MTNL and the GOI in writing regarding the Due Date of payment of the Bonds and the corresponding principal and accrued interest amount so that the necessary arrangements could be made for meeting the Principal and accrued Interest repayment obligation. Government of India will have to fund Designated Trust and Retention Account T-10 days in respect of principal and interest payment. In case the fund is not placed, Trustee will invoke the guarantee at T-8 days and Government (as guarantor) will fund the designated account by T-1 day for interest and principal servicing.<br>Where, "T" is the due date for payment of principal and/or interest. |
| 13.     | Payment Mechanism              | Designated Trust & Retention Account is to be funded adequately by the Government of India as per Schedule set out in <b>Annexure I</b> before the Due Date to the tune of the Principal and / or accrued Interest repayment obligation of the Bonds.   |



|     |                           |  |
|-----|---------------------------|--|
| 14. | Credit Rating             | “CRISIL AAA(SO)/stable” by CRISIL and “[CARE] AAA(SO)” by CARE   |
| 15. | Bond Series               | MTNL Series IV-D 2014.   |
| 16. | Tenure                    | MTNL Series IV-D having maturity of 10 Years   |
| 17. | Call Option               | <b>Not Applicable</b>  |
| 18. | Maturity                  | At the end of 10 <sup>th</sup> year from the Deemed Date of Allotment or as stipulated above   |
| 19. | Redemption date           | 28-11-2024   |
| 20. | Amount mobilized          | MTNL Series IV-D<br><b>Rs. 2,268.90 Crores</b>   |
| 21. | Underlying Benchmark Rate | Base Yield (semi-annual) of 10 years is <b>G-Sec Simple Average Rate</b> for equivalent maturity as published by the Fixed Income Money Market and Derivative Association of India (FIMMDA) for last two weeks ending on Friday <b>21-11-2014</b> .<br>i.e. 8.19% for 10 years maturity  |
| 22. | Coupon Type               | Fixed  |
| 23. | Coupon Rate               | MTNL Series IV-D<br><b>8.29% Annual Payable Semi-annually</b>  |
| 24. | Coupon Payment Frequency  | Semi annually  |
| 25. | Interest Payment Dates    | May 28 and November 28 of the each year till the maturity of the Bonds   |
| 26. | Face Value                | Rs 10 lakhs per bond in respect to Series IV-D   |
| 27. | Issue Price               | Rs 10 lakhs per bond in respect to Series IV-D   |
| 28. | Redemption Price          | Rs 10 lakhs per bond in respect to Series IV-D   |
| 29. | Minimum Application       | 250 Bonds and in multiples of 50 bonds thereafter in respect of Series IV-D. Application form will be issued on prorata basis depending upon the intent amount to total intent received and retained by MTNL and shall be restricted to total 49 in case of non-QIB. Further, the basis of distribution of application form is at the sole discretion of MTNL. |
| 30. | Day Count Basis           | Actual/Actual as per SEBI Circular no CIR/IMD/DF/18/2013 dated 29 <sup>th</sup> Oct 2013   |
| 31. | Trustees                  | SBICAP TRUSTEE CO LIMITED  |
| 32. | Listing                   | Proposed on the Wholesale Debt Market (WDM) Segment of Bombay Stock Exchange of India Ltd. (“BSE”) within 15 days of deemed date of Allotment.   |
| 33. | Depositories              | National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL)   |
| 34. | Registrars                | Karvy Computershare Private Ltd  |
| 35. | Record Date               | 15 days prior to each coupon payment date and redemption date  |
| 36. | Settlement                | Payment of interest and repayment of principal shall be  |

|     |                               |   |
|-----|-------------------------------|---|
|     |                               | made by way of RTGS/ NEFT/ cheque(s)/ interest/ redemption warrant(s)/ demand draft(s)/ credit through direct credit/ NEFT/NECS/ mechanism  |
| 37. | Mode of Subscription          | Electronic transfer of funds through RTGS mechanism for credit of account details as specified in the Disclosure Document for the Issue   |
| 38. | Interest on Application Money | Interest at the respective coupon rate (subject to deduction of income tax under the provisions of the Income Tax Act, 1961, or any other statutory modification or re-enactment thereof, as applicable) will be paid to the applicants on the application money for the Bonds for the period starting from and including the date of realization of application money in Issuer's Bank Account upto one day prior to the Deemed Date of Allotment  |
| 39. | Eligible Investors            | <p><b>1. Qualified Institutional Buyers (QIBs)</b></p> <ul style="list-style-type: none"> <li>i) A mutual Fund</li> <li>ii) A public financial Institution as defined in Section 2(72) of the Companies , 2013</li> <li>iii) A Scheduled Commercial Bank</li> <li>iv) A State Industrial Development Corporation</li> <li>v) An Insurance Company registered with the Insurance Regulatory and Development Authority</li> <li>vi) A Provident Fund or a Pension fund with minimum corpus of Rs.25 crore</li> <li>vii) Foreign Institutional Investors (subject to compliance with the extant SEBI/RBI norms) authorized to invest in bonds/debentures as per regulations in India.</li> <li>viii) Venture Capital Fund registered with SEBI.</li> <li>ix) Foreign Venture Capital Investors registered with SEBI.</li> <li>x) Multilateral Development Financial Institutions</li> <li>xi) National Investment Fund set up by GOI vide resolution No F. No. 2/3/2005-DDII Dated 23/11/2005</li> <li>xii) Insurance funds set up and managed by army, navy or air force etc of the Union of India.</li> </ul> <p><b>2. Non QIBs :</b></p> <ul style="list-style-type: none"> <li>i) Companies and bodies Corporate authorized to invest in bonds/debentures as per regulations.</li> </ul> |

|     |                       |   |
|-----|-----------------------|---|
|     |                       | <ul style="list-style-type: none"> <li>ii) Other Banks authorized to invest in bonds/debentures</li> <li>iii) Gratuity Funds and superannuation Fund</li> <li>iv) Provident fund and Pension fund with corpus less than Rs.25 crore</li> <li>v) Societies authorized to invest in bonds/debentures</li> <li>vi) Registered trusts authorized to invest in bonds/debentures.</li> <li>vii) Statutory Corporation/Undertakings established by Central/State legislature authorized to invest in bonds/debentures</li> <li>viii) Partnership firms formed under applicable laws in India in the name of the partners.</li> </ul> <p>Any other Investor authorized to invest in these bonds, subject to confirmation from the issuer.</p> |
| 40. | Non- Eligible         | <ul style="list-style-type: none"> <li>(i) Minors without a guardian name (A guardian may apply on behalf of a minor. However, application by minors must be made through application forms that contain the names of both the minor applicant and the guardian.</li> <li>(ii) Overseas Corporate bodies</li> <li>(iii) Person ineligible to contract under applicable statutory / regulatory requirements</li> </ul>   |
| 41. | Transaction Documents | <p>The Issuer has executed/ shall execute the documents including but not limited to the following in connection with the Issue:</p> <ul style="list-style-type: none"> <li>i. Tripartite Agreement among GOI, MTNL and Debenture Trustee</li> <li>ii. Letter Appointing Trustees to the Bondholders;</li> <li>iii. Bond/ Debenture Trusteeship Agreement;</li> <li>iv. Rating Agreement with CARE</li> <li>v. Rating Agreement with CRISIL;</li> <li>vi. Letter appointing Registrar and MoU entered into between the Issuer and the Registrar;</li> <li>vii. Application made to BSE for seeking its in-principle approval for listing of Bonds;</li> </ul>   |

|     |   |   |
|-----|---|---|
|     |   | <p>viii. Letters appointing Arrangers to the Issue;</p> <p>ix. Designated Trust and Retention Account Agreement.</p>  |
| 42. | Condition Subsequent to Disbursement  | <p>The Issuer shall ensure that the following documents are executed/ activities are completed as per time frame mentioned elsewhere in this Disclosure Document:</p> <p>(i) Credit of demat account(s) of the allottee(s) by number of Bonds allotted within 2 working days from the Deemed Date of Allotment;</p> <p>(ii) Making application to BSE within 15 days from the Deemed Date of Allotment to list the Bonds and seek listing permission within 15 days from the Deemed Date of Allotment in terms of sub-section (1) of Section 40 of the Companies Act, 2013;</p> <p>(iii) Execution of Bond/ Debenture Trust Deed for creation of security within time frame prescribed in the relevant regulations/ act/ rules etc. Besides, the Issuer shall perform all activities, whether mandatory or otherwise, as mentioned elsewhere in this Disclosure Document.</p> |
| 43. | Seniority   | <p>Since the Maturity value and the coupon payment throughout the tenure is to be funded by Govt. in the designated trust and retention account, <b>this is not applicable.</b></p>   |
| 44. | Coupon Reset Process (including rates, spread, effective date, interest rate cap and floor etc).          | Not Applicable  |
| 45. | Put option Date   | Not Applicable  |
| 46. | Put option Price  | Not Applicable  |
| 47. | Call Option Price   | Not Applicable  |
| 48. | Put Notification Time   | Not Applicable  |
| 49. | Call Notification Time  | Not Applicable  |
| 50. | Events of Default   | Non Payment of Interest & Principal amount  |
| 51. | Provisions related to Cross Default Clause - N/A ( Not Applicable) in case clause is not there, else full | Not Applicable as the bonds will be serviced by GOI executed through a designated trust and retention account operated by debenture trustee, MTNL and D.O.T. on behalf of Govt. of India.   |

|     | description of the clause to be provided       |  |
|-----|--|--|
| 52. | Role and Responsibilities of Debenture Trustee | <p>The Trustees shall perform its duties and obligations and exercise its rights and discretions, in keeping with the trust reposed in the Trustees by the holder(s) of the Bonds and shall further conduct itself, and comply with the provisions of all applicable laws, provided that, the provisions of Section 20 of the Indian Trusts Act, 1882, shall not be applicable to the Trustees. The Trustees shall carry out its duties and perform its functions as required to discharge its obligations under the terms of SEBI Debt Regulations, the Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993, the Bond/ Debenture Trusteeship Agreement, the Bond/ Debenture Trust Deed, Disclosure Document and all other related transaction documents, with due care, diligence and loyalty.</p> <p>The Trustees shall be vested with the requisite powers for protecting the interest of holder(s) of the Bonds. The Trustees shall ensure disclosure of all material events on an ongoing basis and shall supervise the implementation of the conditions regarding creation of security for the Bonds. The Issuer shall, till the redemption of Bonds, submit its latest audited/ limited review half yearly consolidated (wherever available) and standalone financial information such as Statement of Profit &amp; Loss, Balance Sheet and Cash Flow Statement and auditor qualifications, if any, to the Trustees within the timelines as mentioned in Simplified Listing Agreement issued by SEBI vide circular No. SEBI/IMD/BOND/1/2009/11/05 dated May 11, 2009 as amended from time to time. Besides, the Issuer shall within 180 days from the end of the financial year, submit a copy of the latest annual report to the Trustees and the Trustees shall be obliged to share the details so submitted with all "Qualified Institutional Buyers" (QIBs) and other existing Bondholder(s) within two working days of their specific request.</p> |
| 53. | Governing Law and Jurisdiction                 | The Bonds are governed by and shall be construed in accordance with the existing laws of India. Any dispute arising thereof shall be subject to the jurisdiction of district courts of New Delhi.  |

Notes:

- Security Creation (where applicable): In case of delay in execution of Trust Deed and Charge documents, the Company will refund the subscription with agreed rate of interest or will pay penal interest of at least 2% p.a. over the coupon rate till these conditions are complied with at the option of the investor. **This clause is not applicable for this issue.**

- Default in Payment: In case of default in payment of Interest and/or principal redemption on the due dates, additional interest of at least @ 2% p.a. over the coupon rate will be payable by the Company for the defaulting period
- Delay in Listing: In case of delay in listing of the debt securities beyond 20 days from the deemed date of allotment, the Company will pay penal interest of at least 1 % p.a. over the coupon rate from the expiry of 30 days from the deemed date of allotment till the listing of such debt securities to the investor.

**CLAUSE PERTAINING TO FIIs**

- In case of delay in listing in respect of securities issued to FIIs within 15 days of deemed date of allotment the directions of SEBI shall be followed for buyback or transfer to indigenous investors/QIBs as eligible as per the extant rules.

**STRUCTURED PAYMENT MECHANISM**

A Designated Trust & Retention Account in the name of “Mahanagar Telephone Nigam Limited - Bond Account” is to be opened exclusively for the benefit of the Trustee (on behalf of the Bondholders). The following payment structure (wherein “T” is assumed to be Due Date for interest payments and for principal repayment of the Bonds) is envisaged for meeting the obligations on the rated Bonds.

**Interest and Principal Repayments**

| Trigger Date   | Action Point   |
|----------------|--|
| (T- 30)th day* | Trustees to inform MTNL and the GOI in writing regarding the due date of the payment of interest and / or principal amount so that the necessary arrangements could be made for meeting the interest payment / repayment of obligations on the instrument. |
| (T-10)th day*  | The designated Trust and Retention account is to be funded by Government of India to the tune of the interest/principal obligations on the Bonds.  |
| (T-8)th day*   | If the designated Trust and Retention account is not funded to the requisite extent by (T-8)th day as above, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to GOI.   |
| (T -1) day*    | Last date by which GOI to deposit requisite funds in the designated Trust and Retention Account as per the Notice of Invocation.   |

\* In the event of the mentioned day not being a Business Day (as mentioned in Information Memorandum), it would be taken to indicate the next Business Day. –



## **DECLARATION**

The Issuer undertakes that this Disclosure Document contains full disclosures in accordance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 issued vide circular No. LAD-NRO/GN/2008/13/127878 dated June 06, 2008, as amended and Securities and Exchange Board of India (Issue and Listing of Debt Securities) (Amendment) Regulations, 2012 issued vide circular no. LAD-NRO/GN/2012-13/19/5392 dated October 12, 2012 and CIR/IMD/DF/18/2013 Dated October 29, 2013 Securities and Exchange Board of India (Issue and Listing of debt securities) (amendment) regulations, 2014 No. LAD-NRO/GN/2013-14/43/207 dated January 31, 2014.), as amended.

The Issuer also confirms that this Disclosure Document does not omit disclosure of any material fact which may make the statements made therein, in light of the circumstances under which they are made, misleading. The Disclosure Document also does not contain any false or misleading statement.

The Issuer accepts no responsibility for the statement made otherwise than in the Disclosure Document or in any other material issued by or at the instance of the Issuer and that any one placing reliance on any other source of information would be doing so at his own risk.

### **DECLARATION BY THE DIRECTORS THAT**

- a) The company has complied with the provisions of the Act and the rules made there under
- b) The compliance with the Act and the rules although does not normally imply that payment of dividend or interest or repayment of debentures, if applicable, are guaranteed by the Central Government, but in this specific instance, the bonds are fully guaranteed and payment of maturity and coupon payment is also done through a guaranteed mechanism which is explicable from the documentation of the issue memorandum ;
- c) The monies received under the offer shall be used only for the purposes and objects indicated in the Offer letter;

I am authorized by the Board of Directors of the Company vide resolution number 8 of the 298<sup>th</sup> meeting held at 5<sup>th</sup> Floor Corporate Office New Delhi, dated 7<sup>th</sup> July 2014 to sign this form and declare that all the requirements of Companies Act, 2013 and the rules made there under in respect of the subject matter of this form and matters incidental thereto have been complied with. Whatever is stated in this form and in the attachments thereto is true, correct and complete and no information material to the subject matter of this form has been suppressed or concealed and is as per the original records maintained by the promoters subscribing to the Memorandum of Association and Articles of Association.

It is further declared and verified that all the required attachments have been completely, correctly and legibly attached to this form.

For Mahanagar Telephone Nigam Ltd.



(S. R. SAYAL)

Company Secretary

Date: - 27<sup>th</sup> November 2014

Place: - New Delhi

**PRESIDENTIAL APPROVAL:**

URGENT

No. 19-4/2014-SU-II  
Government of India  
Ministry of Communications & IT  
Department of Telecommunications

Sanchar Bhawan, New Delhi  
Dated: 10<sup>th</sup> November, 2014

To,  
The Chairman-cum-Managing Director,  
MTNL,  
Mahanagar Doorsanchar Sadan  
9, CGO Complex, Lodhi Road  
New Delhi – 110 003

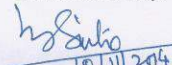
Sub: Presidential approval in accordance with Article 72(21) of the Articles of Association of MTNL to issue bonds amounting to **Rs. 3768.97 crore** – Regarding.

Sir,

I am directed to refer to MTNL's letter No. MTNL/DGM (DM)/Bonds-4-A-Issue/2014-15/TPA dated 27<sup>th</sup> October, 2014 on the subject mentioned above and to convey the approval of Competent Authority, in accordance with Article 72(21) of the Articles of Association of the Company, to issue bonds backed by Sovereign Guarantee amounting to Rs. 3768.97 crore subject to fulfilment of conditions stipulated in Ministry of Finance's O.M No. F. 12(12)-B (SD)/2012 dated 21<sup>st</sup> October, 2014.

2. This issues with the concurrence of Member (Finance) vide their Dy. No. 425/M/F/14 dated 07.11.2014.

Yours faithfully,

  
10/11/2014  
(U.N. Sinha)

Under Secretary to the Government of India  
Tel: 23036115

Copy to:

- (i) DDG (TPF), DoT, Sanchar Bhawan, New Delhi.
- (ii) Director (Budget), DoT, Sanchar Bhawan, New Delhi.
- (iii) PAO (HQ), DoT, Sanchar Bhawan, New Delhi.

संज्ञक सं. नि. अ. सं. 1939  
C.M.D. Dy. No. 22/10/14  
दिनांक 22/10/14

URGENT

No. 19-4/2014-SU-II  
Government of India  
Ministry of Communication & IT  
Department of Telecommunications  
(SU-II Section)

317, Sanchar, Bhawan, New Delhi  
Dated: 22<sup>nd</sup> October, 2014

To,

The Chairman-cum-Managing Director,  
MTNL,  
Mahanagar Doorsanchar Sadan  
9, CGO Complex, Lodhi Road  
New Delhi – 110 003

**Sub: Financial support to MTNL on surrender of BWA spectrum with refund of upfront charges paid for such spectrum - Regarding**

Sir,

I am directed to refer to MTNL's letter No. MTNL/DGM(IA&DM)/Debt Recast/2013-14 dated 31.03.2014 on the subject mentioned above and to say that Ministry of Finance, Department of Economic Affairs, vide its Office Memorandum No. 12(12)-B(SD)/2012 dated 21<sup>st</sup> October, 2014, has approved the Sovereign Guarantee for Rs. 3768.97 crore in favour of MTNL subject to certain terms and conditions. A copy of the said Office Memorandum dated 21<sup>st</sup> October, 2014 received from Department of Economic Affairs is enclosed.

2. It is requested that urgent necessary action may be taken to complete the requisite formalities as per terms and conditions contained in the aforementioned Office Memorandum dated 21<sup>st</sup> October, 2014 of Ministry of Finance.

592-GM(F)  
22/10/14


Encl: As above

Yours faithfully,

  
22/10/14  
(U.N. Sinha)

Under Secretary to the Government of India  
Tel: 23036115

  
22/10  
DGM(DM)

G.M.F.  
① Most priority item  
② Time bound work has to be carried out  
  
22/10



No. F.12 (12)-B (SD)/2012  
Ministry of Finance  
Department of Economic Affairs  
Budget Division

\*\*\*\*\*

North Block, New Delhi  
Dated the 21<sup>st</sup> October 2014

**OFFICE MEMORANDUM**

Subject: - Financial support to MTNL on surrender of BWA Spectrum with refund of upfront charges paid for such spectrum - Implementation of decision of CCEA taken in its meeting held on 09.01.2014 – regarding.

The undersigned is directed to refer to Department of Telecommunication's ID No. 19-4/2014-SU-II dated 13.8.2014 on the above subject, seeking Government of India Guarantee for, (i) raising of bonds for Rs. 3668.97 crore backed by sovereign guarantee with tenure of 10 years maturity with bullet repayment of principal by the Government at the end of tenure and payment of interest on semi-annual basis by the Government with 60 bps points over and above the G-sec rate, (ii) raising of bonds of Rs. 100 crore backed by sovereign guarantee with tenure of 10 years maturity with call option at the end of 9<sup>th</sup> year and (iii) raising of bonds with sovereign guarantee without levy of guarantee fee.

2. The proposal has been examined in the Budget Division, DEA and it has been decided to approve the sovereign guarantee for Rs. 3768.97 crore in favour of MTNL on the following terms and conditions: -

- (a) Cost of borrowing at G-Sec rate with a small spread of 60 bps. Cost of any spread over and above 60 bps over G-Sec. rate will have to be borne by MTNL;
- (b) Guarantee agreement for the above to be entered /committed during the current financial year 2014-15. If for any reason, the same is not done, revalidation of the availability of guarantee space needs to be confirmed from Budget Division, DEA;
- (c) The above guarantee shall not be transferable to any agency without the prior approval of Budget Division, DEA;
- (d) The guarantee agreement shall be entered on the standard terms and conditions and shall be got vetted by the Ministry of Law; and
- (e) Ministry of Communication and Information and Technology may regularize the waiver of Guarantee Fee through supplementary demands in the first batch of 2014-15.



(C.K. Ramaswamy)  
Under Secretary to the GoI

Shri V. Umashankar,  
Joint Secretary (Telecom),  
Department of Telecommunication,  
Ministry of Communication & IT,  
Sanchar Bhawan, New Delhi

## CARE RATINGS



CARE/DRO/RL/2014-15/1154

Mr P. K. Purwar  
Director (Finance)  
Mahanagar Telephone Nigam Limited  
Room No. 4520, 4<sup>th</sup> Floor,  
Mahanagar Doorsanchar Sadan,  
9 CGO Complex, Lodhi Road, New Delhi-03

November 13, 2014

### Confidential

Dear Sir,

#### Credit rating for Proposed Non-Convertible Debenture issue of Rs.3768.97 cr

Please refer to our In-principle rating letter dated November 13, 2014 for the above mentioned rating of long term Non-Convertible Debenture issue of your company. We are in receipt of the following documents:

- (a) Corporate Guarantee dated November 13, 2014 executed by Government of India (GoI)
2. Pursuant to the receipt of above mentioned documents following rating has been confirmed by our Rating Committee

| Instrument                          | Amount<br>(Rs. crore) | Rating <sup>1</sup>                                 | Remarks      |
|-------------------------------------|-----------------------|---|--------------|
| Long term Non-Convertible Debenture | 3768.97               | CARE AAA (SO)<br>[Triple A (Structured Obligation)] | Final Rating |

3. The rating is based upon the strength of the transaction structure and unconditional and irrevocable corporate guarantee by Government of India (GoI). The detail of the structure payment mechanism on which the rating is based is given in **Annexure I**.
4. The rationale for the rating will be communicated to you separately.

  
<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### CREDIT ANALYSIS & RESEARCH LTD.

CORPORATE OFFICE: 4<sup>th</sup> Floor, Godrej Coliseum, Somaiya Hospital Road,  
Off Eastern Express Highway, Sion (E), Mumbai 400 022.  
Tel.: +91-22-6754 3456; Fax: +91-22-6754 3457

13th Floor, E-1 Block, Videocon Tower  
Jhandewalan Extension, New Delhi 110 055  
Tel: +91-11-4533 3200  
Fax: +91-11-4533 3228

5. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
6. CARE reserves the right to suspend/withdraw/revise the rating assigned on the basis of new information or in the event of failure on the part of the company to furnish such information, material or clarifications as may be required by CARE. CARE shall also be entitled to publicize/disseminate such suspension/withdrawal/revision in the assigned rating in any manner considered appropriate by it, without reference to you.
7. Users of this rating may kindly refer our website [www.careratings.com](http://www.careratings.com) for latest update on the outstanding rating.
8. CARE ratings are **not** recommendations to buy, sell or hold any securities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,


Yours faithfully,



[Amit Jain]

Dy. Manager

[amit.jain@careratings.com](mailto:amit.jain@careratings.com)



[Harsh Gaba]

Manager

[harsh.gaba@careratings.com](mailto:harsh.gaba@careratings.com)

Encl : As above

**Disclaimer**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure I

Structured Payment Mechanism

| Trigger Date  | Action Point   |
|---------------|--|
| (T-30)th day* | Trustees to inform MTNL and the GOI in writing regarding the due date of the payment of interest and / or principal amount so that the necessary arrangements could be made for meeting the interest payment / repayment of obligations on the instrument. |
| (T-10)th day* | The designated Trust and Retention account is to be funded by Government of India to the tune of the interest/principal obligations on the Bonds.  |
| (T-8)th day*  | If the designated Trust and Retention account is not funded to the requisite extent by (T-8)th day as above, the Trustees shall forthwith invoke the GOI Guarantee by sending a Notice of Invocation to GOI.   |
| (T-1) day*    | Last date by which GOI to deposit requisite funds in the designated Trust and Retention Account as per the Notice of Invocation.   |

\* In the event of the mentioned day not being a Business Day (as mentioned in Information Memorandum), it would be taken to indicate the next Business Day.

---



## CARE RATINGS RATING RATIONALE



CARE/DRO/RR/2014-15/1068

Mr P. K. Purwar  
Director (Finance)  
Mahanagar Telephone Nigam Limited  
Room No. 4520, 4<sup>th</sup> Floor,  
Mahanagar Doorsanchar Sadan,  
9 CGO Complex, Lodhi Road, New Delhi-03

November 14, 2014

Confidential

Dear Sir,

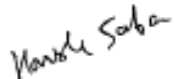
Credit rating for long-term Non-Convertible Debentures

Please refer to our letter dated November 13, 2014 on the above subject.

2. The rationale for the rating is attached as Annexure I. Kindly note that the rationale would be published in the forthcoming issue of our monthly journal, "CAREVIEW".
3. A write-up (brief rationale) on the above rating is proposed to be issued to the press shortly. A draft of this is enclosed for your perusal as Annexure II.
4. We request you to peruse the annexed documents and offer your comments, if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by November 17, 2014 we will proceed on the basis that you have no comments to offer.

If you have any further clarifications, you are welcome to approach us.

Thanking you,  
Yours faithfully,

  
[Harsh Gaba]  
Manager

Encl : As above

  
[Amit Kumar Jain]  
Dy. Manager

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CORPORATE OFFICE: 4<sup>th</sup> Floor, Godrej Coliseum, Somanja Hospital Road,  
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13th Floor, E-1 Block, Vidyan Tower  
Jhandewalan Extension, New Delhi 110 055  
Tel: +91-11-4533 3200  
Fax: +91-11-4533 3238

CIN-L67190MH1993PLC071691

## Annexure - I

### Rating Rationale

#### Mahanagar Telephone Nigam Limited

##### Rating

| Facilities                     | Amount<br>(Rs. crore)                     | Ratings <sup>1</sup>                                 | Remarks    |
|--------------------------------|---|--|------------|
| Non-Convertible Debentures-I   | 2,980<br>(reduced from<br>Rs.3,000 crore) | CARE AAA (SO)*<br>[Triple A (Structured Obligation)] | Reaffirmed |
| Non-Convertible Debentures-II  | 765<br>(reduced from<br>Rs.1,000 crore)   | CARE AAA (SO)*<br>[Triple A (Structured Obligation)] | Reaffirmed |
| Non-Convertible Debentures-III | 3,768.97                                  | CARE AAA (SO)*<br>[Triple A (Structured Obligation)] | Assigned   |
| Total                          | 7,513.97                                  |  |            |

\*Backed by the unconditional and irrevocable guarantee of Government of India (GoI).

##### Rating Rationale

The rating assigned to the aforesaid non-convertible debenture (NCD) issues of Mahanagar Telephone Nigam Limited (MTNL) are based on the credit enhancement in the form of unconditional and irrevocable guarantee of Government of India (GoI), supported by a structured payment mechanism.

##### Background

MTNL was incorporated by the Government of India (GoI) in 1986 with the aim of upgrading the quality of telecom services, expanding the telecom network and introducing new services for India's key metros Delhi and Mumbai. Presently, MTNL is providing a host of telecom services that include fixed telephone service, GSM (including 3G services) & CDMA-based mobile service, internet, broadband, ISDN and leased line services. As on September 30, 2014, MTNL had a total subscriber base of 8.14 millions. MTNL's GSM service is provided under brand names 'Dolphin' (postpaid) and 'Trump' (prepaid), while CDMA service is offered under 'Garuda' brand.

##### Credit Risk Assessment

###### Unconditional and irrevocable guarantee from GoI covering entire rated amount

MTNL is one of the only two state-owned telecom service providers in India along with Bharat Sanchar Nigam Limited. GoI holds the majority stake in MTNL; GoI currently holds 56.25% stake in the company. The company enjoys 'Navratna Status', a status that gives greater autonomy to central public sector enterprises (CPSEs) in their investment and capital expenditure decisions. Such a status also aims at facilitating expansion of its operations both in the domestic and global markets.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

The rated NCD issues are backed by an unconditional and irrevocable guarantee for servicing of the entire amount (both principal as well as the accrued interest) from GoI through department of telecommunications (DoT, Ministry of Communication & Information Technology).

A trustee-monitored payment mechanism is in place to ensure the timely payment of the interest and principal obligations by GoI on the NCD issue.

**Operating performance**

The total operating income of MTNL remained almost flat in FY14 (refers to the period April 1 to March 31). The losses at PBILDT level reduced in FY14 due to reduction in pension contribution to employees. Furthermore, MTNL posted PAT in FY14, mainly due to extraordinary gains which pertain to write-back of provisions relating to pension, gratuity and intangible assets (BWA spectrum). During FY14, Department of Pension (DOP) & Pensioner's Welfare has issued notification wherein the payment of pension to the absorbed employees in MTNL, will be paid by the Government. Furthermore, amortised amount of BWA Spectrum up to FY13 has been written-back during the year consequent to the decision of the GoI to refund the one-time entry fees for spectrum for BWA services initially allotted to MTNL consequent upon its return by MTNL.

The total debt of MTNL increased as on March 31, 2014, on account of the increase in NCDs issue and short-term borrowings. The company has raised aggregate NCDs of Rs.2,740 crore (backed by sovereign guarantee) during FY14, which were partly utilised to pre-pay existing term loans which reduced from Rs.6,172 crore as March 31, 2013, to Rs.4,455 crore as on March 31, 2014.

**CREDIT ANALYSIS & RESEARCH LTD.**

**Financial Performance**

(Rs. Cr)

| <i>For the period ended/ as on March 31</i> | <b>2012</b>     | <b>2013</b>     | <b>2014</b>     |
|---|-----------------|-----------------|-----------------|
|   | <i>(12m, A)</i> | <i>(12m, A)</i> | <i>(12m, A)</i> |
| <b>Working Results</b>                      |                 |                 |                 |
| Total Operating income                      | 3467            | 3532            | 3504            |
| PBILDIT                                     | -1718           | -2788           | -765            |
| Interest & Finance cost                     | 950             | 1181            | 1391            |
| Depreciation                                | 1496            | 1477            | 1166            |
| Net Extraordinary gains (expenses)          | 9               | 45              | 11506           |
| PBT   | -4110           | -5321           | 8322            |
| PAT (after deferred tax)                    | -4110           | -5321           | 7825            |
| Gross Cash Accruals                         | -2599           | -3844           | 9013            |
| <b>Financial Position</b>                   |                 |                 |                 |
| Equity share capital                        | 630             | 630             | 630             |
| Net-worth                                   | 2537            | -2784           | 5041            |
| Total capital employed                      | 12184           | 8934            | 19251           |
| <b>Key Ratios</b>                           |                 |                 |                 |
| <b>Growth</b>                               |                 |                 |                 |
| Growth in Total income (%)                  | -8.88           | 1.68            | -0.81           |
| Growth in PAT (after D.Tax) (%)             | NM              | NM              | NM              |
| <b>Profitability</b>                        |                 |                 |                 |
| PBILDIT/Total Op. income (%)                | -49.54          | -78.93          | -21.84          |
| PAT / Total income (%)                      | -118.53         | -150.64         | 223.34          |
| <b>ROCE (%)</b>                             |                 |                 |                 |
| <b>Solvency</b>                             |                 |                 |                 |
| Long-term Debt Equity ratio (times)         | 2.76            | NM              | 1.63            |
| Overall gearing ratio(times)                | 3.80            | NM              | 2.82            |
| Interest coverage(times)                    | -3.81           | -2.36           | -0.55           |
| Term debt/GCA(years)                        | NM              | NM              | 0.91            |
| Total debt/GCA(years)                       | NM              | NM              | 1.58            |
| <b>Liquidity</b>                            |                 |                 |                 |
| Current ratio(times)                        | 0.30            | 0.20            | 0.25            |
| Quick ratio(times)                          | 0.28            | 0.18            | 0.24            |
| <b>Turnover</b>                             |                 |                 |                 |
| Average collection period (days)            | 337             | 388             | 449             |
| Average inventory (days)                    | 10              | 7               | 10              |
| Average creditors (days)                    | 118             | 106             | 92              |
| Operating cycle (days)                      | 229             | 289             | 368             |

**Disclaimer**

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## Annexure - II

### Brief Rationale

#### CARE re-affirms/assigns 'CARE AAA (SO)' rating to the NCD issue of Mahanagar Telephone Nigam Limited

Rating

| Facilities                     | Amount (Rs. crore)                     | Ratings <sup>2</sup> *                              | Remarks    |
|--------------------------------|--|---|------------|
| Non-Convertible Debentures-I   | 2,980<br>(reduced from Rs.3,000 crore) | CARE AAA (SO)<br>[Triple A (Structured Obligation)] | Reaffirmed |
| Non-Convertible Debentures-II  | 765<br>(reduced from Rs.1,000 crore)   | CARE AAA (SO)<br>[Triple A (Structured Obligation)] | Reaffirmed |
| Non-Convertible Debentures-III | 3,768.97                               | CARE AAA (SO)<br>[Triple A (Structured Obligation)] | Assigned   |
| Total*                         | 7,513.97                               |   |            |

\*Backed by the unconditional and irrevocable guarantee of Government of India (GoI).

#### Rating Rationale

The rating assigned to the aforesaid non-convertible debenture (NCD) issues of Mahanagar Telephone Nigam Limited (MTNL) are based on the credit enhancement in the form of unconditional and irrevocable guarantee of Government of India (GoI), supported by a structured payment mechanism.

#### Background

MTNL was incorporated by the Government of India (GoI) in 1986 with the aim of upgrading the quality of telecom services, expanding the telecom network and introducing new services for India's key metros Delhi and Mumbai.

Presently, MTNL is providing a host of telecom services that include fixed telephone service, GSM (including 3G services) & CDMA-based mobile service, internet, broadband, ISDN and leased line services. As on September 30, 2014, MTNL had a total subscriber base of 8.14 millions. MTNL's GSM service is provided under brand names 'Dolphin' (postpaid) and 'Trump' (prepaid), while CDMA service is offered under 'Garuda' brand.

During FY14, MTNL has reported PAT of Rs.7,825 crore (net loss of Rs.5,321 crore in FY13) on a total income of Rs.3,504 crore (Rs.3,532 crore in FY13). During Q1FY15 (unaudited), MTNL has reported a net loss of Rs.733 crore on a total operating income of Rs.856 crore.

#### Analyst Contact

Name: Harsh Gaba  
Tel: 011-45333257  
Email: [harsh.gaba@careratings.com](mailto:harsh.gaba@careratings.com)

<sup>2</sup>Complete definition of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE publications

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#### CREDIT ANALYSIS & RESEARCH LTD.

13th Floor, E-1 Block, Videcon Tower, Bandwala Extension, New Delhi 110 055.  
Tel: +91-11-4533 3200 | Fax: +91-11-4533 3238 | Email: [care@careratings.com](mailto:care@careratings.com) | [www.careratings.com](http://www.careratings.com)  
CIN-167190MH1993PLC071691

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CN/CR/MTNL/2014/CH966  
November 13, 2014

Mr. Pankaj Yadav  
General Manager - Finance  
Mahanagar Telephone Nigam Limited  
Room No.4202, 4<sup>th</sup> floor,  
9, CGO Complex,  
New Delhi – 110003

Dear Sir,

*Re: Mahanagar Telephone Nigam Limited's Rs.10.00 billion debt programme backed by a guarantee from Government of India*

We refer to your request for a rating for the above instrument backed by an unconditional and irrevocable guarantee by Government of India (GoI). The proposed payment mechanism is described in **Annexure A**.

CRISIL has, after due consideration, reaffirmed a rating of “**CRISIL AAA(SO)/Stable**” (CRISIL Triple ‘A Structured Obligation with Stable outlook’) to the debt issue. This rating indicates **highest degree of safety** regarding timely payment of financial obligations on the instrument. This rating is based on the strength of the guarantee provided by GoI to the instrument securing all principal and interest obligations on the debt programme, the payment structure designed to ensure full and timely payment to investors as set out in **Annexure A**, the strength of the warranties given by you as set out in **Annexure B**, and confirmation provided by the trustee that it will ensure compliance to the proposed debt issue.

Further to our rating letter vide letter no. **AC/CR/MTNL/2014/CH384 dated March 24, 2014** and as per the information shared by you, Rs.7.65 billion of bonds have been placed up to November 13, 2014. We request you to apprise us of the instrument details (as set out in **Annexure C**) for the issuance of balance Rs.2.35 billion as soon as it has been placed. In the event of your company not making the issue within a period of 90 days from the date of this letter, or in the event of any increase in the size of the issuance or any change in the structure of your proposed issue, a fresh letter of revalidation from CRISIL will be necessary.

CRISIL has assumed that the representations made by you are true and that the structure, based on which the rating is assigned, shall work and operate as represented by you. CRISIL does not guarantee the accuracy, adequacy, or completeness of the representations made by you to CRISIL and/or the representations to be made in the Offer Documents. CRISIL is not responsible for any acts of commission or omission of the issuer / Guarantor / Trustee.



As per our Rating Agreement, CRISIL would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL reserves the right to suspend, withdraw or revise the rating assigned to the captioned programme, at any time, on the basis of new information, or unavailability of information or other circumstances which CRISIL believes may have an impact on the rating.

*Disclaimer: A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell or hold the rated instrument; it does not comment on the market price or suitability for a particular investor.*

*CRISIL has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers, users, transmitters, distributors of its ratings. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at CRISILratingdesk@crisil.com or at (+91 22) 3342 3001 - 09.*

CRISIL Limited

Corporate Identity Number: L67120MH1987PLC042363

Registered Office: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. Phone: +91 22 3342 3000 | Fax: +91 22 3342 3050  
www.crisil.com





As per the latest SEBI circular<sup>1</sup> on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN, along with the reference number and the date of the rating letter) of all bond debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at [debtissue@crisil.com](mailto:debtissue@crisil.com). This will enable CRISIL to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us for any clarifications you may have at [debtissue@crisil.com](mailto:debtissue@crisil.com)

Should you require any clarifications, please feel free to contact us.

With best regards,

Yours sincerely,

Sridhar C  
Director – Corporate & Infrastructure Ratings

Chaitali Nehulkar  
Manager – Corporate & Infrastructure Ratings



Encl.: As above

- Annexure A: Payment structure
- Annexure B: Warranties furnished by Mahanagar Telephone Nigam Limited
- Annexure C: Format for intimating instrument details

*Disclaimer: A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell or hold the rated instrument, it does not comment on the market price or suitability for a particular investor.*

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<sup>1</sup> Please refer to SEBI circular bearing reference number, CIR/IMD/DF/17/2013, on Centralized Database for Corporate bonds/Debentures dated October 22, 2013.

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Registered Office: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. Phone: +91 22 3342 3000 | Fax: +91 22 3342 3050  
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Annexure A:

Payment structure

The rating is based on the proposed payment structure envisaged in various agreements (including guarantee) between Mahanagar Telephone Nigam Limited, GoI, and the Trustee. A Designated Trust & Retention Account in the name of "Mahanagar Telephone Nigam Limited - Bond Account" is to be opened exclusively for the benefit of the Trustee (on behalf of the Bondholders). The following payment structure (wherein "T" is assumed to be Due Date for interest payment and for principal repayment of the Bonds) is envisaged for meeting the obligations on the rated Bonds.

| Trigger Date  | Action Point   |
|---------------|--|
| (T-30)th day* | Trustees to inform MTNL and the GoI in writing regarding the due date of the payment of interest and / or principal amount so that the necessary arrangements could be made for meeting the interest payment / repayment of obligations on the instrument. |
| (T-10)th day* | The designated Trust and Retention account is to be funded by GoI to the tune of the interest/principal obligations on the Bonds.  |
| (T-8)th day*  | If the Designated Trust and Retention Account is not funded to the requisite extent by T-8th day by GoI, Trustee shall forthwith invoke the GoI Guarantee by sending a Notice of Invocation to GoI.  |
| (T-1) day*    | Last date by which GoI to deposit requisite funds in the designated Trust and Retention Account as per the Notice of Invocation.   |

*\* In the event of any of the aforementioned Trigger Dates falling on dates not being a Business Day, it would be taken to indicate the immediately succeeding Business Day*

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Annexure B: Warranties furnished by Mahanagar Telephone Nigam Limited

As the issuer of the debt programme, Mahanagar Telephone Nigam Limited has provided the following warranties:

1. All information provided by the Issuer to CRISIL regarding the issuance of Bonds, including the operation of the payment structure is true and correct.
2. The transaction structure and payment mechanism (as mentioned in Annexure A) shall operate in the same manner as represented by the Issuer to CRISIL.
3. The instrument details and the payment structure to be incorporated in the final transaction documents and Disclosure Document will be same in all respects as the draft transaction documents, Disclosure Document/term sheet and Guarantee document shared with CRISIL.
4. The executants of the legal documentation on behalf of the Issuer have been duly empowered and authorized to execute the same and to carry out all necessary actions in accordance with the terms set out therein.
5. The Issuer shall satisfy all the covenants to ensure that the Bonds are fully redeemed in a timely manner.
6. The Issuer shall within a period of 60 days from the date of allotment of the Bonds:
  - Open a Designated Account with a bank acceptable to Issuer, for meeting the obligations on the aforesaid debt.
  - Execute all the requisite transaction documents as per the terms and conditions intimated to CRISIL, to enable the Trustee to operate the Designated Account and for the effective operation of the transaction structure
  - Submit copies of all the executed transaction documents to CRISIL.
7. All the representations and warranties provided by the Issuer to CRISIL, are true and correct

CRISIL Limited

Corporate Identity Number: L87120MH1987PLC042363

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www.crisil.com

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Annexure C:

Details of the Rs.10.0 billion debt of Mahanagar Telephone Nigam Limited guaranteed by Government of India

|  |             |               |
|--|-------------|---------------|
| <i>Instrument Type:</i>  |             |               |
| <i>Amount Placed:</i>  |             |               |
| <i>Maturity Period:</i>  |             |               |
| <i>Coupon Rate:</i>  |             |               |
| <i>Call/Put Option if any w, with date/s) (Pls incorporate in the next two columns, date and amount)</i> |             |               |
| <i>Interest Payment Dates:</i>   |             |               |
| <i>Principal Repayment Details:</i>  | <i>Date</i> | <i>Amount</i> |
|  |             |               |
|  |             |               |
|  |             |               |
|  |             |               |
| <i>Investors:</i>  |             |               |
| <i>Names of Investors (*)</i>  |             |               |
|  |             |               |
| <i>Trustee:</i>  |             |               |

(\*) If necessary, please attach a sheet giving the names of the Investors.

CRISIL Limited

Corporate Identity Number: L67120MH1987PLC042363

Registered Office: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. Phone: +91 22 3342 3000 | Fax: +91 22 3342 3050  
www.crisil.com

CONFIDENTIAL

CN/CR/MTNL/2014/CH967  
November 13, 2014

Mr. Pankaj Yadav  
General Manager - Finance  
Mahanagar Telephone Nigam Limited  
Room No.4202, 4<sup>th</sup> floor,  
9, CGO Complex,  
New Delhi – 110003

Dear Sir,

*Re: Mahanagar Telephone Nigam Limited's Rs.35.34 billion debt programme backed by a guarantee from Government of India*

We refer to your request for a rating for the above instrument backed by an unconditional and irrevocable guarantee by Government of India (GoI). The proposed payment mechanism is described in **Annexure A**.

CRISIL has, after due consideration, assigned a rating of "CRISIL AAA(SO)/Stable" (CRISIL Triple 'A Structured Obligation with Stable outlook') to the debt issue. This rating indicates **highest degree of safety** regarding timely payment of financial obligations on the instrument. This rating is based on the strength of the guarantee provided by GoI to the instrument securing all principal and interest obligations on the debt programme, the payment structure designed to ensure full and timely payment to investors as set out in **Annexure A**, the strength of the warranties given by you as set out in **Annexure B**, and confirmation provided by the trustee that it will ensure compliance to the proposed debt issue.

Further, in view of your decision communicated to us via your letter LOA/MTNL/119013/Non Convertible Debentures/1114/01202 dated November 13, 2014 to accept CRISIL's rating we request you to apprise us of the instrument details (as set out in **Annexure C**) as soon as it has been placed. In the event of your company not making the issue within a period of 90 days from the date of this letter, or in the event of any increase in the size of the issuance or any change in the structure of your proposed issue, a fresh letter of revalidation from CRISIL will be necessary.

CRISIL has assumed that the representations made by you are true and that the structure, based on which the rating is assigned, shall work and operate as represented by you. CRISIL does not guarantee the accuracy, adequacy, or completeness of the representations made by you to CRISIL and/or the representations to be made in the Offer Documents. CRISIL is not responsible for any acts of commission or omission of the issuer / Guarantor / Trustee.

As per our Rating Agreement, CRISIL would disseminate the rating along with outlook through its publications and other media, and keep the rating along with outlook under surveillance for the life of the instrument. CRISIL reserves the right to suspend, withdraw or revise the rating assigned to the captioned programme, at any time, on the basis of new information, or unavailability of information or other circumstances which CRISIL believes may have an impact on the rating.



*Disclaimer: A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell or hold the rated instrument, it does not comment on the market price or suitability for a particular investor.*

*CRISIL has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers, users, transmitters, distributors of its ratings. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at CRISILratingdesk@crisil.com or at (+91 22) 3342 3001 - 09.*

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www.crisil.com

As per the latest SEBI circular<sup>1</sup> on centralized database for corporate bonds/debentures, you are required to provide international securities identification number (ISIN; along with the reference number and the date of the rating letter) of all bond/debenture issuances made against this rating letter to us. The circular also requires you to share this information with us within 2 days after the allotment of the ISIN. We request you to mail us all the necessary and relevant information at [debtissue@crisil.com](mailto:debtissue@crisil.com). This will enable CRISIL to verify and confirm to the depositories, including NSDL and CDSL, the ISIN details of debt rated by us, as required by SEBI. Feel free to contact us for any clarifications you may have at [debtissue@crisil.com](mailto:debtissue@crisil.com)

Should you require any clarifications, please feel free to contact us.

With best regards,

Yours sincerely,



Sridhar C  
Director – Corporate & Infrastructure Ratings



Chaitali Nehulkar  
Manager – Corporate & Infrastructure Ratings



Encl.: As above

- Annexure A: Payment structure
- Annexure B: Warranties furnished by Mahanagar Telephone Nigam Limited
- Annexure C: Format for intimating instrument details

*Disclaimer: A CRISIL rating reflects CRISIL's current opinion on the likelihood of timely payment of the obligations under the rated instrument, and does not constitute an audit of the rated entity by CRISIL. CRISIL ratings are based on information provided by the issuer or obtained by CRISIL from sources it considers reliable. CRISIL does not guarantee the completeness or accuracy of the information on which the rating is based. A CRISIL rating is not a recommendation to buy, sell or hold the rated instrument, it does not comment on the market price or suitability for a particular investor.*

*CRISIL has a practice of keeping all its ratings under surveillance and ratings are revised as and when circumstances so warrant. CRISIL is not responsible for any errors and especially states that it has no financial liability whatsoever to the subscribers, users, transmitters, distributors of its ratings. For the latest rating information on any instrument of any company rated by CRISIL, please contact CRISIL RATING DESK at [CRISILratingdesk@crisil.com](mailto:CRISILratingdesk@crisil.com) or at (+91 22) 3342 3001 - 09.*

<sup>1</sup> Please refer to SEBI circular bearing reference number: CIR/IMD/DF/17/2013 on Centralized Database for Corporate bonds/ Debentures dated October 22, 2013

**CRISIL Limited**

Corporate Identity Number: L67120MH1987PLC042363

Registered Office: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. Phone: +91 22 3342 3000 | Fax: +91 22 3342 3050  
[www.crisil.com](http://www.crisil.com)



Annexure A:

Payment structure

The rating is based on the proposed payment structure envisaged in various agreements (including guarantee) between Mahanagar Telephone Nigam Limited, GoI, and the Trustee. A Designated Trust & Retention Account in the name of "Mahanagar Telephone Nigam Limited - Bond Account" is to be opened exclusively for the benefit of the Trustee (on behalf of the Bondholders). The following payment structure (wherein "T" is assumed to be Due Date for interest payment and for principal repayment of the Bonds) is envisaged for meeting the obligations on the rated Bonds.

| Trigger Date  | Action Point   |
|---------------|--|
| (T-30)th day* | Trustees to inform MTNL and the GoI in writing regarding the due date of the payment of interest and / or principal amount so that the necessary arrangements could be made for meeting the interest payment / repayment of obligations on the instrument. |
| (T-10)th day* | The designated Trust and Retention account is to be funded by GoI to the tune of the interest/principal obligations on the Bonds.  |
| (T-8)th day*  | If the Designated Trust and Retention Account is not funded to the requisite extent by T-8th day by GoI, Trustee shall forthwith invoke the GoI Guarantee by sending a Notice of Invocation to GoI.  |
| (T-1) day*    | Last date by which GoI to deposit requisite funds in the designated Trust and Retention Account as per the Notice of Invocation.   |

*\* In the event of any of the aforementioned Trigger Dates falling on dates not being a Business Day, it would be taken to indicate the immediately succeeding Business Day*

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Annexure B: Warranties furnished by Mahanagar Telephone Nigam Limited

As the issuer of the debt programme, Mahanagar Telephone Nigam Limited has provided the following warranties:

1. All information provided by the Issuer to CRISIL regarding the issuance of Bonds, including the operation of the payment structure is true and correct.
2. The transaction structure and payment mechanism (as mentioned in Annexure A) shall operate in the same manner as represented by the Issuer to CRISIL.
3. The instrument details and the payment structure to be incorporated in the final transaction documents and Disclosure Document will be same in all respects as the draft transaction documents, Disclosure Document/term sheet and Guarantee document shared with CRISIL.
4. The executants of the legal documentation on behalf of the Issuer have been duly empowered and authorized to execute the same and to carry out all necessary actions in accordance with the terms set out therein.
5. The Issuer shall satisfy all the covenants to ensure that the Bonds are fully redeemed in a timely manner.
6. The Issuer shall within a period of 60 days from the date of allotment of the Bonds:
  - Open a Designated Account with a bank acceptable to Issuer, for meeting the obligations on the aforesaid debt.
  - Execute all the requisite transaction documents as per the terms and conditions intimated to CRISIL, to enable the Trustee to operate the Designated Account and for the effective operation of the transaction structure
  - Submit copies of all the executed transaction documents to CRISIL.
7. All the representations and warranties provided by the Issuer to CRISIL are true and correct

CRISIL Limited

Corporate Identity Number: L67120MH1987PLC042363

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Registered Office: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. Phone: +91 22 3342 3000 | Fax: +91 22 3342 3050  
www.crisil.com

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Annexure C:

Details of the Rs.35.34 billion debt of Mahanagar Telephone Nigam Limited guaranteed by Government of India

|  |             |               |
|--|-------------|---------------|
| <i>Instrument Type:</i>  |             |               |
| <i>Amount Placed:</i>  |             |               |
| <i>Maturity Period:</i>  |             |               |
| <i>Coupon Rate:</i>  |             |               |
| <i>Call/Put Option if any w. with date/s) (Pls incorporate in the next two columns, date and amount)</i> |             |               |
| <i>Interest Payment Dates:</i>   |             |               |
| <i>Principal Repayment Details:</i>  | <i>Date</i> | <i>Amount</i> |
|  |             |               |
|  |             |               |
|  |             |               |
|  |             |               |
| <i>Investors:</i>  |             |               |
| <i>Names of Investors (*)</i>  |             |               |
|  |             |               |
| <i>Trustee:</i>  |             |               |
|  |             |               |

(\*). If necessary, please attach a sheet giving the names of the Investors.

CRISIL Limited

Corporate Identity Number: L67120MH1987PLC042363

Registered Office: CRISIL House, Central Avenue, Hiranandani Business Park, Powai, Mumbai - 400 076. Phone: +91 22 3342 3000 | Fax: +91 22 3342 3050  
www.crisil.com

## CRISIL RATING RATIONALE



### Rating Rationale

November 13, 2014  
Mumbai

## Mahanagar Telephone Nigam Limited

'CRISIL AAA(SO)/Stable' assigned to NCD Issue

|   |                                    |
|---|------------------------------------|
| Rs.35.3397 Billion Non Convertible Debentures | CRISIL AAA(SO)/Stable (Assigned)   |
| Rs.10 Billion Non Convertible Debentures      | CRISIL AAA(SO)/Stable (Reaffirmed) |
| Rs.30 Billion Non Convertible Debentures      | CRISIL AAA(SO)/Stable (Reaffirmed) |

CRISIL has assigned its 'CRISIL AAA(SO)/Stable' rating to the Rs.35.34 billion non-convertible debenture (NCD) programme of Mahanagar Telephone Nigam Ltd (MTNL) and reaffirmed the ratings assigned to its previous bond issues.

CRISIL's rating on the NCD programme of MTNL continues to reflect the strength of the credit enhancement provided by the comprehensive, unconditional, and irrevocable guarantee from the Government of India (GoI) through the Ministry of Communications and Information Technology, and the trustee-administered payment mechanism. The liability of GoI shall be limited to bullet repayment of principal at the end of 10 years and normal interest thereon subject to a limit of interest calculated on Government Securities of comparable maturity upto a spread of 60 basis points, as mentioned in the guarantee agreement.

CRISIL believes that GoI's guarantees for the NCD programmes of MTNL, together with the structured payment mechanism, will ensure that all repayment obligations of MTNL are met in a timely manner. GoI's guarantees for all CRISIL-rated NCD programmes will remain unaffected by any infirmity or irregularity on the part of MTNL to undertake any of its obligations under the NCD programmes.

#### Outlook: Stable

The rating outlook on MTNL's NCD programmes reflects CRISIL's outlook on the credit quality of GoI, the guarantor to the rated debt.

#### About the Issuer

MTNL was set up by GoI in April 1986 to focus on improving the quality of telecommunication (telecom) services, expand the telecom network, and introduce new telecom services in India's key metros of Delhi and Mumbai. MTNL has a wide network of around 1400 towers and a large backhaul capacity of transmission cables in the two circles. The company reported a subscriber base of 3.38 million in mobile services and 3.53 million customers with fixed line telephone connections, as on August 31, 2014. GoI owns 56.25 per cent of MTNL's equity.

For 2013-14 (refers to the financial year, April 1 to March 31), MTNL reported net profit of Rs.78.25 billion (net loss of Rs.53.22 billion for 2012-13) on net sales of Rs.34.02 billion (Rs.34.96 billion). For the quarter ended June 30, 2014, MTNL reported a net loss of Rs.7.33 billion on net sales of Rs.8.56 billion, as against a net loss of Rs.12.56 billion on net sales of Rs.8.63 billion for the corresponding period of the previous year.

| Media Contacts   | Analytical Contacts  | Customer Service Helpdesk  |
|--|--|--|
| <b>Tanuja Abhinandan</b><br>Communications and Brand Management<br>CRISIL Limited<br>Phone: +91 22 3342 1818<br>Email: tanuja.abhinandan@crsil.com | <b>Sudip Sural</b><br>Senior Director - CRISIL Ratings<br>Phone: +91 124 672 2000<br>Email: sudip.sural@crsil.com  | Timings: 10.00 am TO 7.00 pm<br>Toll free Number: 1800 267 1301<br>Email: CRISILratingdesk@crsil.com |
| <b>Jyoti Parmar</b><br>Communications and Brand Management<br>CRISIL Limited<br>Phone: +91 22 3342 1835<br>E-mail: jyoti.parmar@crsil.com          | <b>Sridhar C</b><br>Director - CRISIL Ratings<br>Phone: +91 22 3342 3546<br>Email: chandrasekhar.sridhar@crsil.com |  |

November 13, 2014

<http://www.crsil.com>

**Note:**

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper / magazine / agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL. However, CRISIL alone has the sole right of distribution of its rationales for consideration or otherwise through any media including websites, portals etc.

**Crissil complexity levels are assigned to various types of financial instruments. The crissil complexity levels are available on [www.crisil.com/complexity-levels](http://www.crisil.com/complexity-levels). Investors are advised to refer to the crissil complexity levels for instruments that they desire to invest in. Investors may also call the Customer Service Helpdesk with queries on specific instruments.**

**About CRISIL LIMITED**

CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services. We are India's leading ratings agency. We are also the foremost provider of high-end research to the world's largest banks and leading corporations.

**About CRISIL Ratings**

CRISIL Ratings is India's leading rating agency. We pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we have a leadership position. We have rated over 75,000 entities, by far the largest number in India. We are a full-service rating agency. We rate the entire range of debt instruments: bank loans, certificates of deposit, commercial paper, non-convertible debentures, bank hybrid capital instruments, asset-backed securities, mortgage-backed securities, perpetual bonds, and partial guarantees. CRISIL sets the standards in every aspect of the credit rating business. We have instituted several innovations in India including rating municipal bonds, partially guaranteed instruments and microfinance institutions. We pioneered a globally unique and affordable rating service for Small and Medium Enterprises (SMEs). This has significantly expanded the market for ratings and is improving SMEs' access to affordable finance. We have an active outreach programme with issuers, investors and regulators to maintain a high level of transparency regarding our rating criteria and to disseminate our analytical insights and knowledge.

**CRISIL PRIVACY NOTICE**

CRISIL respects your privacy. We use your contact information, such as your name, address, and email id, to fulfil your request and service your account and to provide you with additional information from CRISIL and other parts of McGraw Hill Financial you may find of interest.

For further information, or to let us know your preferences with respect to receiving marketing materials, please visit [www.crisil.com/privacy](http://www.crisil.com/privacy). You can view McGraw Hill Financial's Customer Privacy Policy at <http://www.mhfi.com/privacy>.

Last updated: August, 2014

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## DEBENTURE TRUSTEE CONSENT LETTER

Corporate Office: Apeejay House, 6th Floor,  
3 Dinshaw Wachha Road, Churchgate, Mumbai - 400 020.  
Tel : 022-4302 5555 Fax : 022-2204 0465  
Email : helpdesk@sbicaptrustee.com



**SBICAP Trustee  
Company Ltd.**

Ref: 3355 /STCL/DT/2014-15

Date: 13<sup>th</sup> November, 2014

**Mahanagar Telephone Nigam Limited**  
Room No.4202, 4th floor, Lobby No.2,  
Mahanagar Door Sanchar Sadan, 9, CGO Complex,  
Lodhi Road, New Delhi – 110 003.

**Sub: Confirmation on awareness of the structure and responsibility to ensure its compliance for the proposed Rs.3768.97 Crores Non-convertible Bonds (Bonds) issue by Mahanagar Telephone Nigam Limited (Issuer Company or MTNL).**

We, the undersigned, do hereby consent to act as a Debenture Trustee to the Issue and to our name being inserted as the Debenture Trustee to the Issue in the 'Offer document' to be filed by the Company with the Indian stock exchanges where the Bonds are proposed to be listed (the "Stock Exchanges") and any other document intended to be filed with Stock Exchanges and other regulatory or statutory authority in respect of the Issue. The following details with respect to us may be disclosed:

Name : SBICAP Trustee Company Limited  
Address : Apeejay House, 6<sup>th</sup> Floor  
3, Dinshaw Wachha Road, Churchgate, Mumbai- 400 020.  
Tel : 022 - 43025555  
Fax : 022- 22040465  
E-mail : corporate@sbicaptrustee.com  
Investor Grievance e-mail : investor\_cell@sbicaptrustee.com  
Website : www.sbicaptrustee.com  
Contact Person : Mr. Ajit Joshi (Company Secretary/Compliance Officer)  
Tel. No. 022- 43025503  
SEBI Registration Number : IND000000536

We confirm that we are registered with SEBI and that such registration is valid as on the date of this letter. We enclose a copy of our registration certificate. We also confirm that we have not been prohibited by SEBI to act as an intermediary in capital market issues. We further confirm that no enquiry/investigation is being conducted by SEBI on us.

We further confirm that we have not received any communication from SEBI prohibiting us from acting as the intermediary.

We confirm that we will immediately inform the Company of any change, additions or deletions in respect of the matters covered in this certificate till the date when the Bonds offered, issued and allotted pursuant to the Issue, are admitted for trading on the Stock Exchanges. In the absence of any such communication from us, the above information should be taken as updated information until the listing and trading of Bonds on the Stock Exchanges.

We hereby authorise you to deliver this letter of consent to the Stock Exchanges and any other regulatory or statutory authority as required.

Sincerely,  
For SBICAP Trustee Company Ltd.

Ajit Joshi  
Company Secretary

Registered Office: 202, Maker Tower B, Cuffe Parade, Mumbai 400 005.  
Website : www.sbicaptrustee.com Corporate Identity Number : U65991MH2005PLC158386

*A wholly owned Subsidiary of SBI Capital Markets Ltd.*

## BSE IN PRINCIPLE APPROVAL

BSE Limited Registered Office: Floor 25, P 1 Towers, DLF Street, Mumbai 400 001 India  
T: +91 22 2372 1234 / 33 F: +91 22 2372 1000 www.bseindia.com  
Corporate Identity Number : U67120MH18005916155188



DCS/COMP/RK/IP-PPDI/220/14-15

November 24, 2014

The Company Secretary  
Mahanagar Telephone Nigam Ltd.  
Mahanagar Doorsanchar Sadan  
9, CGO Complex, Lodhi Road,  
New Delhi 110003

Dear Sir,

**Re: Private Placement of Government of India Guaranteed, Unsecured, Rated, Proposed to be Listed, Redeemable, Non-Convertible Taxable Bonds of Rs.10,00,000 each for cash at par for Rs.500 crores plus Green Shoe option up to the amount of Rs. 1768.90 crores "Series IV- D", aggregating to Rs. 2268.90 crores.**

We acknowledge receipt of your application online portal on November 24, 2014 seeking in-principle approval for issue of captioned security. In this regard, the Exchange is pleased to grant in-principle approval for listing subject to fulfilling the following conditions:

1. Filing of listing application.
2. Payment of fees as may be prescribed from time to time.
3. Compliance with Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended 2012, and submission of Disclosures and Documents as per Regulations 21, in the format specified in Schedule I of the said Regulations and also Compliance with provisions of Companies Act 2013.
4. Receipt of Statutory & other approvals & compliance of guidelines issued by the statutory authorities including SEBI, RBI, DCA etc. as may be applicable.
5. Compliance with change in the guidelines, regulations directions of the Exchange or any statutory authorities, documentary requirements from time to time.

This In Principle Approval is valid for a period of 1 year from the date of issue of this letter. The Exchange reserves its right to withdraw its in-principle approval at any later stage if the information submitted to the Exchange is found to be incomplete/ incorrect/misleading/false or for any contravention of Rules, Bye-laws and Regulations of the Exchange, Listing Agreement, Guidelines/Regulations issued by the statutory authorities etc. Further, it is subject to payment of all applicable charges levied by the Exchange for usage of any system, software or similar such facilities provided by BSE which the Company shall avail to process the application of securities for which approval is given vide this letter\*

Yours faithfully,

  
Radhika Khatau  
Associate Manager

  
Gunjan Jain  
Asst. Manager

SENSEX India's index the world tracks

## REGISTRAR CONSENT LETTER



KCPL/MTNL-BONDS-Consent-PP-Tr-2/2014  
November 24, 2014

The Board of Director  
Mahanagar Telephone Nigam Limited  
Mahanagar Doorsanchar Sadan,  
5<sup>th</sup> Floor, 9, CGO Complex,  
Lodhi Road, New Delhi – 110 003

Reg: Appointment of Registrar & Transfer Agent (R&TA) for the Proposed Bond Issue-14-15-Tr-II  
(Issue Size Rs. 2268.90 Crores)

Dear Sir/Madam,

With reference to your email dated 22.11.2014 on the subject matter. We hereby give our consent to act as Registrar & Transfer Agent (RTA) for the proposed Tranche-II Bond Issue (2014-15) on a Private Placement basis.

Karvy Computershare Private Limited  
Plot nos.17-24, Vittal Rao Nagar  
Madhapur, Hyderabad – 500 081- India  
Investor Help Line no.:1-800-3454001  
Tel: +91 40 4465 5000  
Fax: +91 40 2343 1551  
Email: mtnl.bonds@karvy.com  
Contact Person: Mr. M Murali Krishna  
Website: <http://karisma.karvy.com>  
SEBI Registration No.: INR000000221

The terms and conditions will be remaining the same as per our letter no. KCPL/MTNL-BONDS-PP/2013 dated 19.3.2013 expect the change in CHARGES. Please read it as: PER TRANCHE / PER ISIN.

Kindly acknowledge the same.

Thanking you,

Yours faithfully,  
for Karvy Computershare Private Limited

f   
K R Menon  
Vice President



CIN No: U74140TG2003PTC041636  
**Karvy Computershare Private Limited**  
Registered Office: Karvy House, 4B, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034.  
T : +91 40 23312454 | F : +91 40 23311968  
e-mail : [support@karvy.com](mailto:support@karvy.com) | [www.karvy.com](http://www.karvy.com) | [www.karvycomputershare.com](http://www.karvycomputershare.com)

Australia | Bahrain | Canada | Channel Islands | Germany | Hong Kong | Ireland | New Zealand | Philippines | South Africa | United Kingdom | USA

**Annexure-(RepaymentSchedule of Loans):-**

| MAHANAGAR TELEPHONE NIGAM LTD               |                |      |     |                 |     |       |       |        |     |       |        |       |
|---|----------------|------|-----|-----------------|-----|-------|-------|--------|-----|-------|--------|-------|
| updated Repayment Schedule as on 26.10.2014 |                |      |     |                 |     |       |       |        |     |       |        |       |
| Month                                       | Long Term Loan |      |     | Short Term Loan |     |       |       |        |     | WCD L | ALL Bk | Total |
|   | ID BI          | UB I | IOB | UBI             | PSB | Syn 1 | Syn 2 | Andhra | OBC |       |        |       |
| Oct-14                                      |                |      |     |                 |     |       |       |        |     |       | 8      | 8     |
| Nov-14                                      |                |      |     |                 |     |       |       |        |     |       | 8      | 8     |
| Dec-14                                      |                |      |     | 400             | 300 |       |       |        | 75  |       | 8      | 783   |
| Jan-15                                      |                |      | 90  |                 |     |       |       |        |     |       | 8      | 98    |
| Feb-15                                      |                |      |     |                 |     |       |       |        |     |       | 8      | 8     |
| Mar-15                                      |                |      |     |                 |     | 500   |       |        | 75  | 250   | 8      | 833   |
| Apr-15                                      |                |      |     |                 |     |       |       |        |     |       | 8      | 8     |
| May-15                                      |                |      |     |                 |     |       | 500   |        |     |       | 8      | 508   |
| Jun-15                                      |                |      |     |                 |     |       |       |        | 75  |       | 8      | 83    |
| Jul-15                                      |                |      | 90  |                 |     |       |       |        |     |       | 8      | 98    |
| Aug-15                                      |                |      |     |                 |     |       |       | 250    |     |       | 8      | 258   |
| Sep-15                                      | 20             |      |     |                 |     |       |       |        | 75  |       | 8      | 283   |
| Oct-15                                      |                |      |     |                 |     |       |       |        |     |       | 8      | 8     |
| Nov-15                                      |                |      |     |                 |     |       |       |        |     |       | 10     | 10    |
| Dec-15                                      | 20             |      |     |                 |     |       |       |        |     |       |        | 200   |
| Jan-16                                      |                |      | 100 |                 |     |       |       |        |     |       |        | 100   |
| Feb-16                                      |                |      |     |                 |     |       |       |        |     |       |        | -     |
| Mar-16                                      | 30             |      |     |                 |     |       |       |        |     |       |        | 300   |
| Apr-16                                      |                |      |     |                 |     |       |       |        |     |       |        | -     |





|                    |              |            |              |            |            |            |            |            |            |            |            |  |              |
|--------------------|--------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|--|--------------|
| <b>Apr-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>May-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Jun-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Jul-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Aug-18</b>      |              |            | 150          |            |            |            |            |            |            |            |            |  | 150          |
| <b>Sep-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Oct-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Nov-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Dec-18</b>      |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Jan-19</b>      |              |            | 70           |            |            |            |            |            |            |            |            |  | 70           |
|                    |              |            |              |            |            |            |            |            |            |            |            |  | -            |
| <b>Grand Total</b> | <b>3,000</b> | <b>455</b> | <b>1,000</b> | <b>400</b> | <b>300</b> | <b>500</b> | <b>500</b> | <b>250</b> | <b>300</b> | <b>250</b> | <b>114</b> |  | <b>7,069</b> |