

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



MTNL/SECTT/SE/2019  
May 31, 2019

The Secretary,  
Stock Exchanges,  
BSE/NSE

**SUB: Compliance of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Submission of Audit Report for the F.Y. ended on 31<sup>st</sup> March, 2019 and Statement on Impact of Audit Qualifications.**

Dear Sir,

Further to our letter of even no. dtd 30.05.2019 regarding Audited Financial Statements of MTNL, kindly find following documents:

- i) MTNL Audit Qualifications on Standalone and Consolidated Financial Statements of 2018-19;
- ii) Statement on Impact of Audit Qualifications (for audit report with modified opinion) - Standalone and Consolidated for the F.Y. 2018-19.

Kindly acknowledge the receipt and take the same on record.

Thanking you,

Yours faithfully,

(S R SAYAL)  
COMPANY SECRETARY

पंजीकृत एवं निगम कार्यालय : महानगर दूरसंचार सदन, 5 वां तल, 9 सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003  
फोन कार्यालय : 24319020, फैक्स : 24324243

Regd. & Corporate Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9 CGO Complex, Lodhi Road, New Delhi-110003 India  
Phone Off.: 24319020, Fax : 24324243

आप हमारे साथ हिन्दी में भी पत्राचार कर सकते हैं।

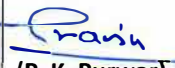

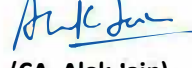

## ANNEXURE I

**MAHANAGAR TELEPHONE NIGAM LIMITED**  
( A Govt. of India Enterprise)

Corporate & Registered Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003  
CIN No: L32101DL1986GOI023501

**Statement on Impact of Audit Qualifications (for audit report with modified opinion)  
submitted along-with Annual Audited Financial Results - (Consolidated)**

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2019**  
**[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2019**

I.	SLNO	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In crs)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	2,721.50	2,721.50
	2.	Total Expenditure	6,108.05	(6300.06)
	3.	Net Profit/(Loss)	(3,388.07)	(3578.56)
	4.	Earnings Per Share	(53.78)	(53.77)
	5.	Total Assets	14,704.51	14,601.82
	6.	Total Liabilities	14,704.51	14,601.82
	7.	Net Worth	(9,727.83)	(9,918.33)
	8.	Any other financial item(s) (as felt appropriate by the management)		
II.	<b>Audit Qualification (each audit qualification separately):</b>			
	a. <b>Details of Audit Qualification:</b>			
	b. <b>Type of Audit Qualification :</b> Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	c. <b>Frequency of qualification:</b> Whether appeared first time / repetitive / since how long continuing : : <b>The 12 items of qualification are repetitive.</b>			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:			
	e. <b>For Audit Qualification(s) where the impact is not quantified by the auditor</b>			
	(i) Management's estimation on the impact of audit qualification:			
	(ii) If management is unable to estimate the impact, reasons for the same:			
	(iii) Auditors' Comments on (i) or (ii) above:			
III.	<b>Signatories:</b>			
	 (P. K. Purwar) CMD	 (Ashok Mittal) Audit Committee Chairman	For Kumar Vijay Gupta & Co. Chartered Accountants FRN: 007814N  (CA. Alok Jain) Partner M.No. 095345	For Mehra Goel & Co Chartered Accountants FRN: 00517N  (CA. Sanjay Mehra) Partner M.No. 085389
	Place: New Delhi			
	Date: 30 <sup>th</sup> May, 2019			



**Annexure to Director's Report(Consolidated )  
Auditor's Qualifications and reply:( FY.2018-19)**

Sr. No.	Qualification	Management Reply
I	<p>The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially.</p> <p>Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.</p> <p>However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)</p>	<p>The accounts are prepared on going concern basis for the period ending 31.03.2019 in view of the fact that the declaration of company as incipient sick will lead to implementation plan for revival being government company. As per IND AS-I, paras 25&amp; 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules expected support from govt. as promoter and prepared the accounts on going concern basis since the revival process has been taken up by govt/DoT as per DPE guidelines and the process of submission of approval of govt. for various measures viz. VRS for 9137 numbers of employees, infusion of capital towards 4G licence and monetisation of assets to wipe out debt etc. is in the final stage at DOT. Accordingly financial statements have been prepared on going concern basis.</p>
II	<p><b><u>Bharat Sanchar Nigam Limited (BSNL):</u></b></p> <p><b>a) <u>Bharat Sanchar Nigam Limited (BSNL):</u></b></p> <p>The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,352.67 Crores out of which Rs. 2,505.46 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial</p>	<p>a) Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books up to the year 2017-18. The claims pertaining to 2014-15 &amp; some of the claims of 2015-16 &amp; 2016-17 have been settled by intervention at the highest level of DoT in the year under report in some cases claims of 2017-18 &amp; 2018-19 were also received . As such the issue is under settlement and both being PSUs under DOT, there would be settlement at the earliest. Further process of settlement also continues in financial year 2019-20.</p> <p>In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage.</p>



	<p>statements).</p> <p>b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.</p>	<p>b) The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit&amp; loss account. Besides the issues are under advise from GST consultants to proceed with a request to govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the payments are made to deliberated with BSNL since majority of cases related to BSNL. As GST regime issues are under evolving process, the impact, if any cannot be ascertained at this stage.</p>
<p>III</p>	<p>The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,69.34 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However the recoverable amount of Rs 669.34 crores includes the GPF (RS 1150.97 Crs), Excess pension paid from 1-10 2000 (Rs.143.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.5827.94/- crores identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of Rs. 636.21 crs shown by MTNL in the books for the year 2017-18 on the pattern of GPF, Bonds etc which already stand confirmed. The issue of confirmation and settlement of Earlier period bonds related claims of Rs.431 crores is also already in progress in D.O.T. The resultant balance amount of Rs.205.21 crs is also due to MTNL on account of various other petty claims of period pertaining to years 1986- 2000. In view of above there will be no impact and claims are being pursued at DoT level.</p>



IV	<p>Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 79 to the standalone Ind-AS financial statements).</p>	<p>The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.</p>
V	<p>The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).</p>	<p>As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs. As the issue is under deliberation, overheads are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured.</p> <p>In view of above there is no such effect arising out of it.</p>
VI	<p>Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 “Impairment of Assets” prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70</p>	<p>The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2019 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets.</p> <p>In view of above the impact is not expected.</p>



	to the standalone Ind-AS financial statements).	
<b>VII</b>	<p>The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).</p>	<p>Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter there is no impact otherwise and wherever required necessary adjustments are required the same are also being made.</p>
<b>VIII</b>	<p><b>(a)</b> In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.</p> <p><b>(b)</b> Unlinked credit of Rs. 51.04 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).</p>	<p><b>(a)</b>The reconciliation is almost completed. Necessary adjustments entries, if any, shall be passed after finalisation it.</p> <p>In view of above the impact is not ascertainable.</p> <p><b>(b)</b>The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time.</p>



IX	<p>Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.</p>	<p>Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years.</p> <p>In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not expect that there could be any impact and thereby the same is not ascertainable impact at this stage.</p>
X	<p>Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS financial statements cannot be ascertained and quantified.</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification.</p> <p>In view of above the impact is not ascertainable.</p>
XI	<p>Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.</p> <p>As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.</p> <p>Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrendered spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it is also surrendered. D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to</p>



	<p>amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.</p> <p>In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 58 to the standalone Ind-AS financial statements).</p>	<p>the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM.</p> <p>The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter till now and no issue is also raised by DOT on this. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.</p>
<p><b>XII</b></p>	<p>In Mumbai Unit, the Company has been awarded a long duration contract from Larsen &amp; Turbro (L&amp;T) for design, development, implementation &amp; Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).</p>	<p>The contractual terms &amp; conditions are undergoing change and were under deliberations with Larsen &amp; Turbro (L&amp;T) and an addendum to the agreement is to be signed shortly between MTNL &amp; L&amp;T which is in the final stage of reaffirmation and therefore further action or any working of profit or loss can be ascertainable only after the addendum is got entered into. As such there is no scope to recognise profit&amp; loss at this point of time.</p>







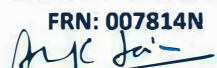

**ANNEXURE I**

**MAHANAGAR TELEPHONE NIGAM LIMITED  
( A Govt. of India Enterprise)**

Corporate & Registered Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003  
CIN No: L32101DL1986GOI023501

**Statement on Impact of Audit Qualifications (for audit report with modified opinion)  
submitted along-with Annual Audited Financial Results - (Standalone)**

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2019  
[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2019]**

I.	SLNO	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In crs)	Adjusted Figures (audited figures after adjusting for qualifications) (Rs. In crs)
	1.	Turnover/Total Income	2,606.71	2,606.71
	2.	Total Expenditure	5,996.91	6,188.92
	3.	Net Profit/(Loss)	(3,390.20)	(3,582.21)
	4.	Earnings Per Share	(53.81)	(56.86)
	5.	Total Assets	14,677.44	14,574.75
	6.	Total Liabilities	14,677.44	14,574.75
	7.	Net Worth	(9,734.94)	(9,926.95)
	8.	Any other financial item(s) (as felt appropriate by the management)	----NA-----	
<b>II.</b>				
<b>Audit Qualification (each audit qualification separately):</b>				
a. <b>Details of Audit Qualification: Attached</b>				
b. <b>Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion</b>				
c. <b>Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: <i>The 12 items of qualification are repetitive.</i></b>				
d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views:				
e. <b>For Audit Qualification(s) where the impact is not quantified by the auditor</b>				
(i) <b>Management's estimation on the impact of audit qualification:</b>				
(ii) <b>If management is unable to estimate the impact, reasons for the same:</b>				
(iii) <b>Auditors' Comments on (i) or (ii) above:</b>				
<b>III.</b>				
<b>Signatories:</b>				
				
	(P. K. Purwar) CMD	(Ashok Mittal) Audit Committee Chairman	For Kumar Vijay Gupta & Co. Chartered Accountants FRN: 007814N (CA. Alok Jain) Partner M.No. 095345	For Mehra Goel & Co Chartered Accountants FRN: 00517N (CA. Sanjay Mehra) Partner M.No. 085389
Place: New Delhi				
Date: 30 <sup>th</sup> May, 2019				



**Annexure to Director's Report(Standalone )  
Auditor's Qualifications and reply:( FY.2018-19)**

Sr. No.	Qualification	Management Reply
I	<p>The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2019 as well as in the previous year and the current liabilities exceeded the current assets substantially.</p> <p>Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.</p> <p>However, the standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)</p>	<p>The accounts are prepared on going concern basis for the period ending 31.03.2019 in view of the fact that the declaration of company as incipient sick will lead to implementation plan for revival being government company. As per IND AS-I, paras 25&amp; 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules expected support from govt. as promoter and prepared the accounts on going concern basis since the revival process has been taken up by govt/DoT as per DPE guidelines and the process of submission of approval of govt. for various measures viz. VRS for 9137 numbers of employees, infusion of capital towards 4G licence and monetisation of assets to wipe out debt etc. is in the final stage at DOT. Accordingly financial statements have been prepared on going concern basis.</p>
II	<p><b><u>Bharat Sanchar Nigam Limited (BSNL):</u></b></p> <p><b>a) <u>Bharat Sanchar Nigam Limited (BSNL):</u></b></p> <p>The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,352.67 Crores out of which Rs. 2,505.46 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements).</p>	<p>a) Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books up to the year 2017-18. The claims pertaining to 2014-15 &amp; some of the claims of 2015-16 &amp; 2016-17 have been settled by intervention at the highest level of DoT in the year under report in some cases claims of 2017-18 &amp; 2018-19 were also received . As such the issue is under settlement and both being PSUs under DOT, there would be settlement at the earliest. Further process of settlement also continues in financial year 2019-20.</p> <p>In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage.</p>



	<p>b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.</p>	<p>b) The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit &amp; loss account. Besides the issues are under advise from GST consultants to proceed with a request to govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the payments are made to deliberated with BSNL since majority of cases related to BSNL. As GST regime issues are under evolving process, the impact, if any cannot be ascertained at this stage.</p>
<p>III</p>	<p>The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,69.34 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However the recoverable amount of Rs 669.34 crores includes the GPF (RS 1150.97 Crs), Excess pension paid from 1-10 2000 (Rs.143.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.5827.94/- crores identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of Rs. 636.21 crs shown by MTNL in the books for the year 2017-18 on the pattern of GPF, Bonds etc which already stand confirmed. The issue of confirmation and settlement of Earlier period bonds related claims of Rs.431 crores is also already in progress in D.O.T. The resultant balance amount of Rs.205.21 crs is also due to MTNL on account of various other petty claims of period pertaining to years 1986- 2000. In view of above there will be no impact and claims are being pursued at DoT level.</p>



IV	<p>Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 79 to the standalone Ind-AS financial statements).</p>	<p>The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.</p>
V	<p>The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).</p>	<p>As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs. As the issue is under deliberation, overheads are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured.</p> <p>In view of above there is no such effect arising out of it.</p>
VI	<p>Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 “Impairment of Assets” prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70</p>	<p>The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2019 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets.</p> <p>In view of above the impact is not expected.</p>



	to the standalone Ind-AS financial statements).	
<b>VII</b>	<p>The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).</p>	<p>Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are no such disputes as to the quantum of payables or receivables from any quarter there is no impact otherwise and wherever required necessary adjustments are required the same are also being made.</p>
<b>VIII</b>	<p><b>(a)</b> In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.</p> <p><b>(b)</b> Unlinked credit of Rs. 51.04 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).</p>	<p><b>(a)</b>The reconciliation is almost completed. Necessary adjustments entries, if any, shall be passed after finalisation it.</p> <p>In view of above the impact is not ascertainable.</p> <p><b>(b)</b>The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time.</p>



IX	<p>Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.</p>	<p>Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years.</p> <p>In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not expect that there could be any impact and thereby the same is not ascertainable impact at this stage.</p>
X	<p>Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortization of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortization not backed by relevant records. In the absence of relevant records, impact of such classification on the standalone Ind-AS financial statements cannot be ascertained and quantified.</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification.</p> <p>In view of above the impact is not ascertainable.</p>
XI	<p>Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.</p> <p>As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.</p> <p>Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T.</p> <p>MTNL has surrendered spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it is also surrendered. D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to</p>



	<p>amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.</p> <p>In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 58 to the standalone Ind-AS financial statements).</p>	<p>the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM.</p> <p>The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter till now and no issue is also raised by DOT on this. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.</p>
<p><b>XII</b></p>	<p>In Mumbai Unit, the Company has been awarded a long duration contract from Larsen &amp; Turbro (L&amp;T) for design, development, implementation &amp; Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).</p>	<p>The contractual terms &amp; conditions are undergoing change and were under deliberations with Larsen &amp; Turbro (L&amp;T) and an addendum to the agreement is to be signed shortly between MTNL &amp; L&amp;T which is in the final stage of reaffirmation and therefore further action or any working of profit or loss can be ascertainable only after the addendum is got entered into. As such there is no scope to recognise profit&amp; loss at this point of time.</p>

