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INDEPENDENT AUDITOR'S REPORT

To
The Members of
Mahanagar Telephone Nigam Limited

Report on the Audit of the Standalone Ind- AS Financial Statements

Qualified Opinion

We have audited the accompanying standalone Ind-AS financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2019, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for Qualified Opinion Section of our report, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Qualified Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Ind AS Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone Ind AS financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on the standalone Ind AS financial statements.

(i) 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.

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. 1/3000697/ 2017 through file no. 19-17/2017 – SU-II.

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)

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(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) 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).

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.

(iii) 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).

(iv) 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).

(v) 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. 36,37 and 39 to the standalone Ind-AS financial statements).

(vi) 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 to the standalone Ind-AS financial statements).

(vii) 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).

(viii) (a) 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.

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(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).

(ix) 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.

(x) 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.

(xi) 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.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.

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 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.

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).

(xii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & 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).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (iii), (v), (vi), (vii),(viii)(a), (ix), (x), (xi) and (xii) on the standalone Ind-AS financial statements of the Company for the year ended on 31st March 2019.

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Emphasis of Matters

We draw attention to the following notes on the standalone Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Impairment in the value of investments in subsidiary, joint ventures, and associates are considered temporary in nature by management and no provision for impairment in value of these investments has been done.

(ii) Refer note no. 61 to the standalone Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961.

(iii) Point no. (a) of note no. 62 to the standalone Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iv) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 15 and 18 to the standalone Ind-AS financial statements).

(v) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the standalone Ind-AS financial statements.

(vi) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the standalone Ind-AS financial statements and further explained in point no. (d) of Note no. 68 to the standalone Ind-AS financial statements.

(vii) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(viii) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(ix) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

(x) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements.

(xi) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).

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Our opinion is not modified in respect of these matters.

Material uncertainty related to going concern

We draw attention to Note no. 76 in the financial statements, which indicates that the company has accumulated losses and its net worth has been fully/ substantially eroded, the company has incurred net loss/net cash loss during the current and previous year(s) and the company's current liabilities exceeded its current assets as at the balance date. These events or conditions, along with other matter as set forth in Note 76, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the basis of qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	How our audit Addressed the key Audit Matter
1	**Material Uncertainty relating to Going Concern:** There is use of Going Concern Assumption basis of accounting in financial statement but a material uncertainty exists.	We have analyzed the management projection are submitted to Department Of Telecom (DOT). We received the expected revenue and corresponding expenses, EBITDA and other expected Capex expenditure outflows.(Refer note no. 76)
2	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard) There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) The application of the new revenue accounting standard is complex and involves a number of key judgements and estimates. Additionally, new revenue accounting standard contains disclosures which involve collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date.	We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach including controls testing and substantive procedures covering in particular: Testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams. Testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing includes validating material journals processed between the billing system and general ledger. Performing tests on the accuracy of customer bill generation on sample basis and testing of a sample of the credits and discounts applied to customer bills: and

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	Refer Notes no. 56 to the Standalone Ind-AS Financial Statements.	Testing receipts for a sample of customers back to customer invoice.
3	Accuracy of revenues and onerous obligations in respect of fixed price contracts involves critical estimates. Estimated effort is a critical estimate to determine revenues and liability for onerous obligations. This estimate has a high inherent uncertainty as it requires consideration of progress of the contract, efforts incurred till date and efforts required to complete the remaining contract performance obligations. Refer Notes no. 56 to the Standalone Ind-AS Financial Statements.	Our audit approach was a combination of test of internal controls and substantive procedures which included the following: • Evaluated the design of internal controls relating to recording of efforts incurred and estimation of efforts required to complete the performance obligations. • Tested the access and application controls pertaining to time recording, allocation and budgeting systems which prevents unauthorized changes to recording of efforts incurred. • Selected a sample of contracts and through inspection of evidence of performance of these controls, tested the operating effectiveness of the internal controls relating to efforts incurred and estimated. • Selected a sample of contracts and performed a retrospective review of efforts incurred with estimated efforts to identify significant variations and verify whether those variations have been considered in estimating the remaining efforts to complete the contract. • Reviewed a sample of contracts with unbilled revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. • Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts.
4	**Uncertain Taxation Matters:** The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes no. 48 and 61 to the Standalone Ind-AS Financial Statements.	We have obtained details of completed tax assessments and demands up to March 31, 2019 from management. We assessed the management's underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the company's own cases, in evaluating management's position on these uncertain tax positions.
5	**Recoverability of Indirect Tax Receivables:** As at March 31, 2019, non-current assets in respect of indirect tax and others include Cenvat recoverable amounting to INR 153.5 crores which are pending adjudication. Refer Note no 12 and 20 to the Standalone Ind-AS Financial Statements.	**Principal Audit Procedures:** We have assessed and reviewed the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution.

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6	**Impairment Loss:** For the CGUs the determination of recoverable amount being the higher of fair value less costs to sell and value –in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management 's view of variables such as future average revenue per user, average customer numbers and customers churn, timing and approval of future capital , spectrum and obtaining expenditure and the most appropriate discount rate. Refer to Note no. 70 of standalone Ind-AS Financial statements.	We evaluated the appropriateness of management's identification of the groups CGUs and testing the impairment assessment process, including indicators of impairment. We analyzed key assumptions in management's valuation model used to determine recoverable amount including assumptions of project adjusted EBITDA projected capital expenditure, projected license and spectrum payments, long term growth rates and discount rates. We compared historical forecasting to actual results and We performed testing of the mathematical accuracy of the cash flow and analyzed key assumptions. Based on our procedures we consider management's key assumptions to be within a reasonable range. We validated the appropriateness of the related disclosures in note no. 70 of the Standalone Ind- AS financial statements.
7	**Discontinued Operations and Assets Held for Sale:** Assests of CDMA continues to be treated as held for sale and discontinued operations as at the balance sheet date. Refer to note no. 51 of standalone Ind-AS Financial statements.	We analyzed in management's estimates of, the releasable value. Based on our procedures, we noted no exceptions and consider management's approach and assumptions to be reasonable.
8	The Company holds investments comprising investments in Associates, Joint Ventures and subsidiaries of Rs 106.13 Crores Investments in Associates, Joint Ventures and subsidiaries accounted forat cost less any provision for impairment Investments are tested for impairment annually. If impairment exists, the recoverable amounts of the investment in Associates, Joint Ventures sand subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognized in the income statement. Refer to Note no.8 of standalone Ind-AS Financial statements.	We assessed the net assets values of the investments as at 31 March 2019 with the Company's investment carrying values. As a result of our work, we agreed with management that the carrying values of the investments held by the Company are supportable in the context of the Company financial statements taken as a whole.

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9	Deferred Tax Assets: - significant judgement is required in relation to the recognition and recoverability of deferred tax assets, Refer to note no. 40 of standalone Ind-AS Financial statements.	In respect of the deferred tax assets, we analyzed to assess the recoverability of losses from a tax perspective through performing the following: • Understanding how losses arose and where they are located, including to which subgroups they are attributed. • Considering whether the losses can be reversed based on the ability to generate profits in excess of past losses; • Comparing historical forecasting to actual results; • Considering the impact of recent regulatory developments, as applicable; • Assessing any restrictions on future use of losses; and • Determining whether any of the losses will expire. In addition, we assessed the application of Ind-AS 12 – Income Taxes including: • Understanding the triggers for recognition of deferred tax assets; • Considering the effects of tax planning strategies; • Testing the mathematical accuracy of the cash flow models and challenging and agreeing the key assumptions in the management plan and likelihood of generating future taxable profits to support the recoverability of the deferred tax asset. We also reviewed the disclosures made in respect of the utilization period of deferred tax assets. Refer to note no. 40 of standalone Ind-AS Financial statements.
10	**Provisions and contingent liabilities** There are a number of **legal, regulatory and** tax cases against the Group. High level of judgement is required in estimating the level of provisioning required. Refer to note no. 48 of standalone Ind-AS Financial statements.	We analyzed the current status of the tax cases. For legal, regulatory and tax matters our procedures included the following: • Testing key controls over litigation, regulatory and tax procedures; • Performing substantive procedures on the underlying calculations supporting the provisions recorded; • Where relevant, reading external legal opinions obtained by management; • Meeting with regional and local management and reading relevant Group correspondence; • Discussing open matters with the Group litigation, regulatory, general counsel and tax teams; • Assessing management's conclusions through understanding precedents set in similar cases; and • Circularization where appropriate of relevant third party legal representatives and direct discussion with them regarding certain material cases. Based on the evidence obtained, and the related

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		disclosures in note no. 48 of the Standalone Ind-AS financial statements, conclude that the disclosure was sufficient.

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Information Other than the Standalone Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and those charged with governance for the Standalone Ind-AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Ind-AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in term of sub section (11) of section 143 of the Companies Act 2013, we give in the ''Annexure A'' a statement on the matters specified in paragraph 3 and 4 of the Order , to the extent applicable.

2. As required by section 143(5) of the Act, we give in "Annexure B" a statement on the matters specified by the Comptroller and Auditor General of India for the Company.

3. As required by Section 143(3) of the Act, based on our audit we report that:

   a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

   c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

   d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

   e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

   f) The going concern matter described in material uncertainty related to going concern paragraph above, in our opinion, may have an adverse effect on the functioning of the company.

   g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure C". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

      In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 read with the schedule V of the Companies Act 2013.the remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The ministry of corporate affairs has not prescribed other details under section 197 (16) which are required to commented upon by us.

   i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

      i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements.

      ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

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iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Mehra Goel & Co.	**For Kumar Vijay Gupta & Co.**
Chartered Accountants	**Chartered Accountants**
Firm Registration No.: 000517N	**Firm Registration No.: 007814N**
(CA Sanjay Mehra)	**(CA Alok Jain)**
Partner	**Partner**
Membership No.: 085389	**Membership No.: 095345**

NEW DELHI

MEHRA GOEL & CO. CHARTERED ACCOUNTANTS

New Delhi

Kumar Vijay Gupta & Co. Chartered Accountants

Place: New Delhi
Date: 30th May, 2019

Annexure to the Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March, 2019.

(i) (a) Delhi unit has maintained records of fixed assets. However in MS unit-Delhi, identification numbers are not mentioned. It has been noticed that records of the Estates Department in respect of land and building do not match with the records as per financial books.

In case of Mumbai units (both basic and WS), fixed assets registers have been maintained w.e.f. 01.04.2002. However, the fixed assets records maintained by the Mumbai units are not updated and reconciled with the financial records. Also identification numbers are not mentioned in respect of most of the items.

Corporate office has maintained fixed assets records showing full particulars including quantitative details and situation of fixed assets.

(b) As per the accounting policy of the Company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, Office Machinery and Equipments, Leased Premises and Cables were physically verified in accordance with the said programme of verification by the management during the year. The accuracy, reliability and completeness of the fixed assets verification procedure could not be verified by us.

(c) Title deeds of some of the immovable properties recorded in the books of the Company are in the name of Govt. of India, P&T and President of India, since the operation of Delhi & Mumbai of Department of Telecom was converted as MTNL. Details of such properties are given hereunder:

		(Amounts in Rs. Crores)
PARTICULARS	**DELHI UNIT**	**MUMBAI UNIT**
Free Hold Land		
- Total Number of Cases	1	23#
- Gross Block	0.06	4.15
Lease Hold Land		
- Total Number of Cases	89*	12#
- Gross Block	219.53	2.65
- Net Block	152.03	1.78
Building		
- Total Number of Cases	53**	3##
- Gross Block	32.37	1.53
- Net Block	3.89	0.76

In respect of Delhi Units:

* In respect of 43 cases out of 89 where the lease hold land acquired from DOT have been capitalized by MTNL and no data is available in respect of depreciation and net WDV of such assets as the same is not identifiable from the fixed assets register.

** No information is available in respect of lease hold buildings allotted by the various govt. authorities to MTNL but the same has been capitalized by MTNL and due to non availability of information, the aforesaid cases has not been included in the above details.

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In respect of Mumbai Units:

In respect of 12 cases where the possession of freehold and leasehold land are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 freehold lands and 6 leasehold lands are not in the name of the Company.

In respect of 5 cases where the possession of freehold and leasehold buildings are lying with the Company but the value of which are not lying in books of accounts of Mumbai units. Out of which tile deeds of 1 leasehold building are not in the name of the Company.

Further, in most of the cases, value of the immovable properties as per title deeds are not matching with books of accounts and in respect of 9 cases, court cases are pending with the various authorities out of which title deed of 1 freehold land and 1 leasehold land are not in the name of the Company.

Furthermore, in respect of 9 cases of freehold and leasehold land where total area measuring 21,160 square meter have been encroached by the various persons in respect of which matter is either pending in court or perusing with the various authorities for clearing the encroachment. Out of total 9 cases, title deed of 2 freehold land measuring 1840 square meter and 1 leasehold land measuring 200 square meters are not in the name of the Company.

(ii) **In respect of Delhi Units:**
In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Sub-stores of Basic Unit Delhi, Store of Wireless Unit Delhi.

In respect of Mumbai Units:
In our opinion, physical verification of inventory has been conducted by the management at reasonable intervals except in case of Area Stores of East-1, HQ-Transmission and Planning Units, ANC Area Stores and Sub-Stores of Mumbai Basic Units and inventory of Wireless Unit Mumbai. Further, reconciliation of the physically verified inventory with books of accounts has not been done by the units except by Material Management (MM) Unit.

Discrepancies noticed on physical verification of inventory as compared to book records were not material and have been properly dealt with in the books of accounts.

(iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act') except the following:

Name of the Company	Outstanding Balance	Amount Overdue for more than 90 days
Millennium Telecom Limited	60,60,175	60,60,175

Repayment of principal and payment of interest is not regular.

(iv) The Company has not entered any transaction involving compliance with the provisions of Section 185 and 186 of the Companies Act 2013. Thus, paragraph 3(iv) of the Order is not applicable

(v) The Company has not accepted any deposits from the public within the meaning of Section 73 to Section 76 or any other relevant provisions of the Companies Act, 2013 or rules framed there under.

(vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for year 2018-19.

(vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, wherever applicable, have generally been regularly deposited with the appropriate authorities though there has been a slight delay in few cases.

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According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, goods and service tax, duty of customs, duty of excise, value added tax, cess or other statutory dues were in arrears as at 31st March 2019 for a period of more than six months from the date they became payable except in respect of the following:

Name of the Statue	Nature of the Dues	Amount (in Rs.)	Period to which the amount relates	Due Date	Date of Payment
Luxury Tax Act, 1987	Luxury Tax	11,49,680	April, 2017 to June, 2017	21st day of the following month/quarter	Amount has not been paid
	TOTAL	**11,49,680**			

The amounts of Luxury Tax collected and not deposited are lying with the company. The same should be deposited along with interest. The amount of Interest has not been provided in the financial statements. Considering the quantum of irregularity, the same has not been considered in the basis of qualified opinion paragraph.

(b) According to the information and explanations given to us, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax which have not been deposited with the appropriate authorities on account of any dispute except for the following dues:

In respect of Delhi Units:

i. Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Delhi Value Added Tax Act, 2004	12.21	2007-08	Delhi Value Added Tax, Tribunal
Delhi Value Added Tax Act, 2004	62.60	2009-10 & 2010-11 (CWG 2010)	Delhi Value Added Tax, Tribunal
Central Sales Tax Act, 1956	0.04	2012-13	Addl. Comm. Sales Tax
TOTAL	**74.85**		

ii. Service Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	8.45	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.13	2006-08	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	0.08	2000-03	Commissioner of Central Excise and Service Tax
Finance Act, 1994	1.42	2008-12	Commissioner of Central

New Delhi

NEW DELHI

			Excise and Service Tax
TOTAL	32.08		

iii. Labour Cess:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Building and other Construction Workers Welfare Cess Act, 1996.	9.73	1996 to 2001	Deputy Labour Commissioner

In respect of Mumbai Basic Units

i. Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Nil	2000-08	Hon'ble Supreme Court of India
TOTAL	**Nil**		

Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Bombay Sales Tax Act, 1959	0.17	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	5.27	1996-97	Hon'ble High Court of Bombay
Bombay Sales Tax Act, 1959	170.08	1997-98	Hon'ble Supreme Court of India
Bombay Sales Tax Act, 1959	216.01	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	101.32	2004-05	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	14.97	2009-10	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	6.11	2011-12	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	26.47	2012-13	Joint Commissioner of Sales Tax, Mumbai
TOTAL	540.39		

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CHARTERED ACCOUNTANTS

Luxury Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.54	2007-08	Joint Commissioner of Sales Tax (Appeal) - IV, Mumbai
Luxury Tax Act, 1987	0.94	2008-09	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.21	2009-10	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.44	2010-11	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.79	2011-12	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	2.07	2012-13	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
TOTAL	**4.99**		

ii. Service Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	0.07	2013-14	Custom, Excise and Service Tax Appellate Tribunal
TOTAL	**0.07**		

In respect of Mumbai MS Unit:

Central Excise:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Nil	2004-05	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2013-14	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	Nil	2005-06	Commissioner of Central Excise
Total	Nil		

New Delhi Chartered Accountants

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

In respect of Corporate Office:

Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending	Remarks
Income Tax Act, 1961	0.00	1998-2010	Hon'ble High Court of Delhi, Income Tax Appellant Tribunal and Commissioner of Income Tax (Appeal)	Total disputed demand of Rs. 775.75 Crores either paid by the Company or deducted by the Income Tax Department from refund due to the Company
TOTAL	**0.00**			

(viii) The Company has not defaulted in the repayment of loans or borrowings to a financial institution, bank, Government or dues to debenture holders.

(ix) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year and term loans have been generally applied for the purposes for which they were raised.

(x) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2019.

(xi) In view of the Government notification No. GSR 463 (E) dated 5th June, 2015; Government Companies are exempt from the applicability of Section 197 of the Companies Act 2013. Accordingly clause 3 (xi) of the Order is not applicable to the Company.

(xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Hence, Clause 3 (xii) of the Order is not applicable to the Company.

(xiii) In our opinion and as per the information and explanation given to us, the company has not entered into any transaction requiring compliance with Section 177 and 188 of the Companies Act, 2013. Hence, Clause 3 (xiii) of the Order is not applicable to the Company.

(xiv) Based on the information and explanation given to us, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review requiring compliance with Section 42 of the Companies Act, 2013. Hence, Clause 3 (xiv) of the Order is not applicable to the Company.

(xv) Based on the information and explanation given to us, the Company has not entered into any non-cash transactions with directors or persons connected with him. Hence, Clause 3 (xv) of the Order is not applicable to the Company.

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CHARTERED ACCOUNTANTS

(xvi) In our opinion and according to the information and explanations given to us, Company is not required to register under Section 45 – IA of the Reserve Bank of India Act, 1934. Hence, Clause 3 (xvi) of the Order is not applicable to the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

(CA Sanjay Mehra)
Partner
Membership No.: 085389

Place: New Delhi
Date: 30th May, 2019

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

(CA Alok Jain)
Partner
Membership No.: 095345

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March 2019.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Standalone) for the year 2018-19 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

<table>
<tr><th>Sr. No.</th><th>Areas Examined</th><th colspan="2">Observation / Finding</th></tr>
<tr><td>1</td><td>Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.</td><td colspan="2">The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under :

<u>DELHI UNIT</u>

The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold.

<u>MUMBAI UNIT</u>

The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.</td></tr>
<tr><td rowspan="5">2</td><td rowspan="5">Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.</td><td colspan="2">The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under:</td></tr>
<tr><td>Particulars</td><td>(Rs. in Crores)</td></tr>
<tr><td>Write off of debts Due to non recoverability (Refer note no. 39)</td><td>18.32</td></tr>
<tr><td>Waiver of penalty & interest</td><td>Nil</td></tr>
<tr><td>TOTAL</td><td>18.32</td></tr>
</table>

4	Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.	The details have been verified by us.
5	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, Majority of the accounting transactions are done through the IT system. Although manual intervention is prevalent. Adequate security measures for manual intervention need to be strengthened with supervisory sanction only and properly documented.
6	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by lender to a company due to the company's inability to repay the loan? If yes, the financial impact may be stated.	As certified by the management and those charged with governance, we have been informed that there is no restructuring of loan/ wavier/ write off of debts/ loan/ interest during the 2018-19.
7	Whether funds received/ receivable from the specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the case of deviation.	Yes, Company received the Swachh Action Plan contribution during 2018-19 Rs.56.39Lakh out of which Rs.32.72Lakh is pending utilization with the company.
8	Whether the amount of revenue of share (License fees and Spectrum Usage charges) recognized in the financial statement in accordance with the DoT? If so, detailed statement & calculation sheet may be attached	Yes, AGR Audit Report will be provided separately

We have conducted of the audit of accounts of Mahanagar Telephone Nigam Limited for the year ended 2018-19 in accordance with the directions issued by the C&AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with the all directions issued to us.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

NEW DELHI

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

New Delhi

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

Annexure – C

Annexure to The Independent Auditors' Report

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2019 in conjunction with our audit of the standalone Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS financial statements, whether due to fraud or error.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of standalone Ind-AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of standalone Ind-AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the standalone Ind-AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2019:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the standalone Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting..

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing systems does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 standalone Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind-AS financial statements of the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

New Delhi Chartered Accountants

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

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INDEPENDENT AUDITOR'S REPORT

To
The Members of
Mahanagar Telephone Nigam Limited

Report on the Audit of the Consolidated Financial Statements

Qualified Opinion

We have audited the accompanying Consolidated financial statements of MAHANAGAR TELEPHONE NIGAM LIMITED ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its joint ventures and associates which comprise the Balance Sheet as at March 31, 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the Consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matters described in the basis for Qualified Opinion Section of our report, the aforesaid Consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Company as at March 31, 2019, the Consolidated profit and Consolidated total comprehensive income. Consolidated changes in equity and its Consolidated cash flows for the year ended on that date.

The Consolidated financial statements include the year to date financial results of the following entities:

(a) **List of Subsidiaries:**
- Mahanagar Telephone (Mauritius) Limited ('MTML') - Audited
- Millenium Telecom Limited - Audited
- MTML International Limited (subsidiary of MTML) - Audited
- MTML Data Limited (subsidiary of MTML) - Audited

(b) **List of Joint Ventures:**
- MTNL STPI IT Services Limited ('MSISL') - Audited

(c) **List of Associates:**
- United Telecommunications Limited ('UTL') - Unaudited

Basis for Qualified Opinion

We conducted our audit of the Consolidated financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the Consolidated financial statements under the provisions of the Act and the Rules made there under, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics.

Kumar Vijay Gupta & Co. New Delhi Chartered Accountants

Mehra Goel & Co. NEW DELHI CHARTERED ACCOUNTANTS

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

(i) 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.

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. 1/3000697/ 2017 through file no. 19-17/2017 – SU-II.

However, the Consolidated 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. 81 to the Consolidated Ind-AS financial statements)

(ii) **Bharat Sanchar Nigam Limited (BSNL):**

a) 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 Consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the Consolidated Ind-AS financial statements).

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.

(iii) 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 Consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the Consolidated Ind-AS financial statements).

(iv) 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. 84 to the Consolidated Ind-AS financial statements).

(v) 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 Consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 40 and 42 to the Consolidated Ind-AS financial statements).

(vi) 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

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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. 75 to the Consolidated Ind-AS financial statements).

(vii) 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 Consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the Consolidated Ind-AS financial statements).

(viii) (a) 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 Consolidated Ind-AS financial statements cannot be ascertained and quantified at present.

(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. 69 and 80 to the Consolidated Ind-AS financial statements).

(ix) 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.

(x) 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 Consolidated Ind-AS financial statements cannot be ascertained and quantified.

(xi) 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.

As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage.

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 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.

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 Consolidated Ind-AS financial statements of the Company. (Also refer note no. 63 to the Consolidated Ind-AS financial statements).

(xii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system

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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 Consolidated Ind-AS financial statements. (Also refer note no. 82 to the Consolidated Ind-AS financial statements).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (iii), (v), (vi), (vii),(viii)(a), (ix), (x), (xi) and (xii) on the Consolidated Ind-AS financial statements of the Company for the year ended on 31st March 2019.

Emphasis of Matters

We draw attention to the following notes on the Consolidated Ind-AS financial statements being matters pertaining to **Mahanagar Telephone Nigam Limited** requiring emphasis by us. Our opinion is not qualified in respect of these matters:

(i) Impairment in the value of investments in subsidiary, joint ventures, and associates are considered temporary in nature by management and no provision for impairment in value of these investments has been done.

(ii) Refer note no. 66 to the Consolidated Ind-AS financial statements regarding the adequacy or otherwise of the provision and / or contingency reserve held by the Company with reference to pending dispute with the Income Tax Department before the Hon'ble Courts regarding deduction claimed by the Company u/s 80 IA of the Income Tax Act, 1961.

(iii) Point no. (a) of note no. 67 to the Consolidated Ind-AS financial statements regarding accounting of claims and counter claims of MTNL with M/S M&N Publications Ltd., in a dispute over printing, publishing and supply of telephone directories for MTNL, in the year when the ultimate collection / payment of the same becomes reasonably certain.

(iv) Amount receivable from BSNL & Other Operators have been reflected as loans and other financial assets instead of bifurcating the same into trade receivables and other financial assets. (Also refer note no. 9, 16 and 19 to the Consolidated Ind-AS financial statements).

(v) Disclosure of consumption of imported and indigenous stores and spares and percentage to the total consumption as required by Division II of Schedule III of the Companies Act, 2013 has not been made by the Company in the Consolidated Ind-AS financial statements.

(vi) The Amounts recoverable from Department of Telecommunication (DOT) in respect of settlement of General Provident Fund (GPF) of Combined Service Optee absorbed employees in MTNL; wherein DOT has not accepted/sanctioned the full amount of GPF including interest thereon, claimed of the Company in respect of which correspondence in going on between the Company and DOT are continued to be shown as recoverable from DOT and payable to GPF in the Consolidated Ind-AS financial statements and further explained in point no. (d) of Note no. 73 to the Consolidated Ind-AS financial statements.

(vii) The payables towards license fees and spectrum usage charges have been adjusted with excess pension payouts to Combined Pensioners Optees recoverable from DOT in respect of which matter is under consideration and correspondence in going on between the Company and DOT.

(viii) The License agreement between Company and DOT does not have any guidance on change in method of calculation of Adjusted Gross Revenue (AGR) due to migration to Ind-AS from I-GAAP. Provisioning and payment of liability in respect of license fees and spectrum usage charges payable to DOT has been done on the basis of Ind-AS based financial statements. The amount of difference in computation of Adjusted Gross Revenue (AGR) is under consideration of DOT.

(ix) In certain cases of freehold and leasehold land the company is having title deeds which are in the name of the Company but the value of which are not lying in books of accounts of the Company.

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(x) Income arising on account of Revenue Sharing with BSNL in respect of lease circuits provided has not been recognized in terms of Memorandum of Understanding (MOU) between BSNL and MTNL. As per MOU, revenue and expenditure will be based on the price offered to the customers after applying the discount, if any at the time of acquiring the business. However, Revenue has been recognized on the basis of available information which is either based on the Company Card Rates or Old rates of BSNL. In Some Cases, BSNL has given the information in respect of updated rated but the same has not been considered at the time of booking of revenue sharing with BSNL. In the absence of relevant updated records, we are not in a position to comment on the impact thereof on the Consolidated Ind-AS financial statements.

(xi) Dues from the Operators being on account of revenue sharing agreements are not treated as debtors and consequently are not taken into account for making provision for doubtful debts. (Also refer clause no. (k) of note no. 3 to the Consolidated Ind-AS financial statements).

Our opinion is not modified in respect of these matters.

Material uncertainty related to going concern

We draw attention to Note no. 81 in the consolidated financial statements, which indicates that the company has accumulated losses and its net worth has been fully/ substantially eroded, the company has incurred net loss/net cash loss during the current and previous year(s) and the company's current liabilities exceeded its current assets as at the balance date. These events or conditions, along with other matter as set forth in Note 76, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matters described in the basis of qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

S.No.	Key Audit Matter	How our audit Addressed the key Audit Matter
1	**Material Uncertainty relating to Going Concern:** There is use of Going Concern Assumption basis of accounting in consolidated financial statement but a material uncertainty exists.	We have analyzed the management projection are submitted to Department Of Telecom (DOT). We received the expected revenue and corresponding expenses, EBITDA and other expected Capex expenditure outflows.(Refer note no. 81)

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2	Accuracy of recognition, measurement, presentation and disclosures of revenues and other related balances in view of adoption of Ind AS 115 "Revenue from Contracts with Customers" (new revenue accounting standard) There is an inherent risk around the accuracy of revenue recorded given the complexity of systems and the impact of changing pricing models to revenue recognition (tariff structures, incentive arrangements, discounts etc.) The application of the new revenue accounting standard is complex and involves a number of key judgements and estimates. Additionally, new revenue accounting standard contains disclosures which involve collation of information in respect of disaggregated revenue and periods over which the remaining performance obligations will be satisfied subsequent to the balance sheet date. Refer Notes no. 61 to the Consolidated Ind-AS Financial Statements.	We assessed the Company's process to identify the impact of adoption of the new revenue accounting standard. Our audit approach including controls testing and substantive procedures covering in particular: Testing the IT environment in which billing, rating and other relevant support systems reside, including the change control procedures in place around systems that bill material revenue streams. Testing the end to end reconciliation from business support systems to billing and rating systems to the general ledger. This testing includes validating material journals processed between the billing system and general ledger. Performing tests on the accuracy of customer bill generation on sample basis and testing of a sample of the credits and discounts applied to customer bills: and Testing receipts for a sample of customers back to customer invoice.
3	Accuracy of revenues and onerous obligations in respect of fixed price contracts involves critical estimates. Estimated effort is a critical estimate to determine revenues and liability for onerous obligations. This estimate has a high inherent uncertainty as it requires consideration of progress of the contract, efforts incurred till date and efforts required to complete the remaining contract performance obligations. Refer Notes no. 61 to the Consolidated Ind-AS Financial Statements	Our audit approach was a combination of test of internal controls and substantive procedures which included the following: Evaluated the design of internal controls relating to recording of efforts incurred and estimation of efforts required to complete the performance obligations. Tested the access and application controls pertaining to time recording, allocation and budgeting systems which prevents unauthorized changes to recording of efforts incurred. Selected a sample of contracts and through inspection of evidence of performance of these controls, tested the operating effectiveness of the internal controls relating to efforts incurred and estimated. Selected a sample of contracts and performed a retrospective review of efforts incurred with estimated efforts to identify significant variations and verify whether those variations have been considered in estimating the remaining efforts to complete the contract. Reviewed a sample of contracts with unbilled

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		revenues to identify possible delays in achieving milestones, which require change in estimated efforts to complete the remaining performance obligations. Performed analytical procedures and test of details for reasonableness of incurred and estimated efforts.
4	**Uncertain Taxation Matters:** The Company has material uncertain tax matters under dispute which involves significant judgment to determine the possible outcome of these disputes. Refer Notes no. 53 and 66 to the Consolidated Ind-AS Financial Statements.	We have obtained details of completed tax assessments and demands up to March 31, 2019 from management. We assessed the management's underlying assumptions in estimating the tax provisions and the possible outcome of the disputes. We also considered legal precedence and other rulings, including in the company's own cases, in evaluating management's position on these uncertain tax positions.
5	**Recoverability of Indirect Tax Receivables:** As at March 31, 2019, non-current assets in respect of indirect tax and others include Cenvat recoverable amounting to INR 153.5 crores which are pending adjudication. Refer Note no 12 and 21 to the Consolidated Ind-AS Financial Statements.	**Principal Audit Procedures:** We have assessed and reviewed the nature of the amounts recoverable, the sustainability and the likelihood of recoverability upon final resolution.
6	**Impairment Loss:** For the CGUs the determination of recoverable amount being the higher of fair value less costs to sell and value -in-use, requires judgement on the part of management in both identifying and then valuing the relevant CGUs. Recoverable amounts are based on management 's view of variables such as future average revenue per user, average customer numbers and customers churn, timing and approval of future capital , spectrum and obtaining expenditure and the most appropriate discount rate. Refer to Note no. 75 of Consolidated Ind-AS Financial statements.	We evaluated the appropriateness of management's identification of the groups CGUs and testing the impairment assessment process, including indicators of impairment. We analyzed key assumptions in management's valuation model used to determine recoverable amount including assumptions of project adjusted EBITDA projected capital expenditure, projected license and spectrum payments, long term growth rates and discount rates. We compared historical forecasting to actual results and We performed testing of the mathematical accuracy of the cash flow and analyzed key assumptions. Based on our procedures we consider management's key assumptions to be within a reasonable range. We validated the appropriateness of the related disclosures in note no. 70 of the

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		Consolidated Ind- AS financial statements.
7	**Discontinued Operations and Assets Held for Sale:** Assests of CDMA continues to be treated as held for sale and discontinued operations as at the balance sheet date. Refer to note no. 56 of Consolidated Ind-AS Financial statements.	We analyzed in management's estimates of, the releasable value. Based on our procedures, we noted no exceptions and consider management's approach and assumptions to be reasonable.
8	The Company holds investments comprising investments in Associates, Joint Ventures and subsidiaries of Rs 106.13 Crores Investments in Associates, Joint Ventures and subsidiaries accounted forat cost less any provision for impairment Investments are tested for impairment annually. If impairment exists, the recoverable amounts of the investment in Associates, Joint Ventures sand subsidiaries are estimated in order to determine the extent of the impairment loss, if any. Any such impairment loss is recognized in the income statement. Refer to Note no.8 of Consolidated Ind-AS Financial statements.	We assessed the net assets values of the investments as at 31 March 2019 with the Company's investment carrying values. As a result of our work, we agreed with management that the carrying values of the investments held by the Company are supportable in the context of the Company financial statements taken as a whole.
9	**Deferred Tax Assets:** - significant judgement is required in relation to the recognition and recoverability of deferred tax assets, Refer to note no. 43 of Consolidated Ind-AS Financial statements.	In respect of the deferred tax assets, we analyzed to assess the recoverability of losses from a tax perspective through performing the following: Understanding how losses arose and where they are located, including to which subgroups they are attributed. Considering whether the losses can be reversed based on the ability to generate profits in excess of past losses; Comparing historical forecasting to actual results; Considering the impact of recent regulatory developments, as applicable; Assessing any restrictions on future use of losses; and Determining whether any of the losses will expire. In addition, we assessed the application of Ind-AS 12 – Income Taxes including: Understanding the triggers for recognition of deferred tax assets; Considering the effects of tax planning strategies; Testing the mathematical accuracy of the cash flow models and challenging and

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		agreeing the key assumptions in the management plan and likelihood of generating future taxable profits to support the recoverability of the deferred tax asset. We also reviewed the disclosures made in respect of the utilization period of deferred tax assets. Refer to note no. 40 of Consolidated Ind-AS Financial statements.
10	**Provisions and contingent liabilities** There are a number of **legal, regulatory and** tax cases against the Group. High level of judgement is required in estimating the level of provisioning required. Refer to note no. 52 of Consolidated Ind-AS Financial statements.	We analyzed the current status of the tax cases. For legal, regulatory and tax matters our procedures included the following: Testing key controls over litigation, regulatory and tax procedures; Performing substantive procedures on the underlying calculations supporting the provisions recorded; Where relevant, reading external legal opinions obtained by management; Meeting with regional and local management and reading relevant Group correspondence; Discussing open matters with the Group litigation, regulatory, general counsel and tax teams; Assessing management's conclusions through understanding precedents set in similar cases; and Circularization where appropriate of relevant third party legal representatives and direct discussion with them regarding certain material cases. Based on the evidence obtained, and the related disclosures in note no. 48 of the Consolidated Ind-AS financial statements, conclude that the disclosure was sufficient.

Other Matters

We did not audit the financial statements/financial information of subsidiaries, jointly controlled entities and associates, whose financial statements/financial information reflect total assets of Rs. 166.90 Crores and net assets of Rs. 145.35 Crores as at 31st March, 2019, total revenues of Rs. 116.12 Crores and net cash inflows amounting to Rs. 6.23 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net profit of Rs. 4.05 Crores for the year ended 31st March, 2019, as considered in the consolidated Ind-AS financial statements, in respect of one jointly controlled entities, whose financial statements/financial information have not been audited by us. These financial statements/financial information have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, jointly controlled entities and associate, and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiaries, jointly controlled entities and associate, is based solely on the reports of the other auditors.

Certain of these subsidiaries are located outside India whose financial statements and other financial information have been prepared in accordance with accounting principles generally accepted in their respective countries and which have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements/financial information of such subsidiaries located outside India from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

Our opinion above on the consolidated Ind-AS financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matter with respect to our reliance on the work done and the reports of the other auditors and the financial statements / financial information certified by the Management

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Company's Annual Report, but does not include the Consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management and those charged with governance for the Consolidated Ind-AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Consolidated financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Ind-AS Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit

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conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit we report that:

a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account.

d) In our opinion, the aforesaid Consolidated financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

f) The going concern matter described in material uncertainty related to going concern paragraph above, in our opinion, may have an adverse effect on the functioning of the company.

g) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and according to the information and explanations given to us, the remuneration paid by the Company to its directors during the current year is in accordance with the provisions of section 197 read with the schedule V of the Companies Act 2013.the remuneration paid to any director is not in excess of the limit laid down under section 197 of the Act. The ministry of corporate affairs has not prescribed other details under section 197 (16) which are required to comment upon by us.

i) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, as amended in our opinion and to the best of our information and according to the explanations given to us:

a) The Company has disclosed the impact of pending litigations on its financial position in its consolidated financial statements.

b) The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts.

c) There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

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(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

New Delhi
Chartered Accountants

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019

Annexure - A

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Consolidated Ind-AS Financial Statements for the year ended 31st March 2019.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Consolidated) for the year 2018-19 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

Based on the information and explanations given to us we report as under:

<table>
<tr><th>Sr. No.</th><th>Areas Examined</th><th>Observation / Finding</th></tr>
<tr><td>1</td><td>Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.</td><td>The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under :

<u>DELHI UNIT</u>

The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold.

<u>MUMBAI UNIT</u>

The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.</td></tr>
<tr><td>2</td><td>Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.</td><td>The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under:

<table>
<tr><th>Particulars</th><th>(Rs. in Crores)</th></tr>
<tr><td>Write off of debts
Due to non recoverability (Refer note no. 39)</td><td>18.32</td></tr>
<tr><td>Waiver of penalty & interest</td><td>Nil</td></tr>
<tr><td>TOTAL</td><td>18.32</td></tr>
</table></td></tr>
<tr><td>3</td><td>Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.</td><td>There are no inventories lying with third parties.

The Company has not received any assets as gifts from Government or other authorities during the year.</td></tr>
</table>

4	Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.	The details have been verified by us.
5	Whether the company has system in place to process all the accounting transactions through IT system? If yes, the implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, Majority of the accounting transactions are done through the IT system. Although manual intervention is prevalent. Adequate security measures for manual intervention need to be strengthened with supervisory sanction only and properly documented.
6	Whether there is any restructuring of an existing loan or cases of waiver/write off of debts/loans/interest etc. made by lender to a company due to the company's inability to repay the loan? If yes. the financial impact may be stated.	As certified by the management and those charged with governance, we have been informed that there is no restructuring of loan/ wavier/ write off of debts/ loan/ interest during the 2018-19.
7	Whether funds received/ receivable from the specific schemes from central/ state agencies were properly accounted for/ utilized as per its term and conditions? List the case of deviation.	Yes, Company received the Swachh Action Plan contribution during 2018-19 Rs.56.39Lakh out of which Rs.32.72Lakh is pending utilization with the company.
8	Whether the amount of revenue of share (License fees and Spectrum Usage charges) recognized in the financial statement in accordance with the DoT? If so, detailed statement & calculation sheet may be attached	Yes, AGR Audit Report will be provided separately

We have conducted of the audit of accounts of Mahanagar Telephone Nigam Limited for the year ended 2018-19 in accordance with the directions issued by the C&AG of India under section 143(5) of the Companies Act, 2013 and certify that we have complied with the all directions issued to us.

For Mehra Goel & Co. **Chartered Accountants** **Firm Registration No.: 000517N**	**For Kumar Vijay Gupta & Co.** **Chartered Accountants** **Firm Registration No.: 007814N**
NEW DELHI MEHRA GOEL & CO. ★ CHARTERED ACCOUNTANTS ★	New Delhi Gupta & Co. ★ Chartered Accountants ★
(CA Sanjay Mehra) **Partner** **Membership No.: 085389**	**(CA Alok Jain)** **Partner** **Membership No.: 095345**

Place: New Delhi
Date: 30th May, 2019

Annexure - B

Annexure to The Independent Auditors' Report

(Referred to in paragraph (f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Report on the Internal Financial Controls under Clause (i) of sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2019 in conjunction with our audit of the Consolidated Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Ind-AS financial statements, whether due to fraud or error.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Consolidated Ind-AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of Consolidated Ind-AS financial statements in accordance with generally accepted accounting principles,

New Delhi Chartered Accountants

NEW DELHI CHARTERED ACCOUNTANTS

and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Consolidated Ind-AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2019:

(i) The Company does not have an appropriate internal control system for identification of overheads to be capitalized with the cost of Property, Plant and Equipment which could potentially result into under /over capitalization of Property, Plant and Equipment and corresponding impact on the operational results of the Company.

(ii) The Company does not have appropriate internal control system for ensuring capitalization of Property, Plant and Equipment as and when the same is ready for use due to delayed issue of completion certificate by engineering department or due to delay in receipt of bills from the vendors for bought out items or due to delay of inventory issue slip by stores. Hence, the date of capitalization is not reliable. This could potentially result into delayed capitalization and corresponding impact on the operational results due to lower charge of depreciation.

(iii) The Company does not have appropriate internal control system for ensuring de-commissioning and de-capitalization of Property, Plant and Equipment in respect of assets which are no longer in use and held for disposal as scrap. This could potentially result into overstatement of gross block and corresponding impact on the operational results due to higher charge of depreciation and lower provision for impairment of assets.

(iv) The Company does not have an appropriate internal control system to ensure that provisions made pending receipt of bills from vendors / contractors / operators / government departments at the quarter end and year end are duly reversed when actual bills are received and accounted for. This could potentially result in the same being accounting twice.

(v) The Company does not have an appropriate internal control system to track open purchase orders, work orders, agreements and contracts which have been entered with vendors / contractors / operators / government departments and are lying open. This could have a bearing on efficiency of operations and recording of financial liabilities and provisions pertaining to the same.

(vi) The Company does not have an integrated ERP system. Different software packages used by the company are interfaced through software links or manual intervention leaving gaps between them. This could potentially result into impaired financial reporting.

(vii) The Company does not have an appropriate internal control system for reconciliation of vendors / contractors / operators / government departments, accounts which could potentially result in some changes in the Consolidated Ind-AS financial statements. The cases identified by us have been appropriately qualified at various places in our report.

(viii) The Company does not have effective internal audit system so as to cover all major areas with extensive scope. The extent and depth of coverage, manner of conduct and reporting in respect of internal audit is very weak. This could potentially result into weak checks and balances and unreported financial irregularities ultimately resulting into distorted financial reporting.

(ix) The Company does not have an appropriate internal control system for reconciliation of items of unlinked debits and credits because of receipts from the subscriber and the amount debited by the banks. This could potentially lead unreported financial adjustments ultimately resulting into distorted financial reporting.

(x) The Company does not have an appropriate internal control system for invoicing which are due and payable based on manual invoicing. The invoicing system does not have reliability of measurement and reconciliation of items. This leads to multiple revisions and errors in invoicing. This could potentially lead errors in revenue recognition.

(xi) The Company does not have appropriate internal control system for ensuring end use of issued inventory. The accounting is done based on the requisition statement of item and not actual installation or commission of item. This could potentially result into non-identification of pilferage and also early capitalization of equipments.

(xii) The Company does not have appropriate internal control system for ensuring billing and recovery of water and electricity charges from the lessee. This could potentially result into non-recovery and delayed recovery of such charges causing financial loss of the absolute expenses and also finance cost on the delay in realization. This could also result in inaccurate expense values in the financial statements of the company.

A 'material weakness' is a deficiency, or a combination of deficiencies, in internal financial control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2019 Consolidated Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the Consolidated Ind-AS financial statements of the Company.

For Mehra Goel & Co.
Chartered Accountants
Firm Registration No.: 000517N

NEW DELHI

(CA Sanjay Mehra)
Partner
Membership No.: 085389

For Kumar Vijay Gupta & Co.
Chartered Accountants
Firm Registration No.: 007814N

New Delhi

(CA Alok Jain)
Partner
Membership No.: 095345

Place: New Delhi
Date: 30th May, 2019