



## MAHANAGAR TELEPHONE NIGAM LIMITED

(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501

Registered and Corporate Office: Mahanagar Doorsanchar Sadan 5<sup>th</sup> Floor, 9 CGO Complex, Lodhi Road, New Delhi - 110 003. Tel: 011-24319020, Fax: 011-24324243, Website: [www.mtnl.net.in](http://www.mtnl.net.in) / [www.bol.net.in](http://www.bol.net.in), Email: [mtnlcsco@gmail.com](mailto:mtnlcsco@gmail.com) / [mtnlcsco@bol.net.in](mailto:mtnlcsco@bol.net.in)

**MTNL/SECTT/SE/2024**  
**September 13<sup>th</sup>, 2024**

To  
The Listing Department,  
Bombay Stock Exchange (BSE)  
National Stock Exchange (NSE)

**Ref: BSE Scrip Code: 500108/ NSE Symbol: MTNL**

**SUB: COMPLIANCE OF REGULATION 30 OF SEBI (LODR), 2015- DISCLOSURE OF EVENTS OR INFORMATION – CREDIT UPDATE ON BRICKWORK RATINGS RATED MTNL BONDS AND RATING RATIONALE GIVEN BY CRISIL RATINGS - reg**

Dear Sir,

In compliance of Regulation 30 of SEBI (LODR), 2015, this is to inform you that M/s Brickwork Ratings India Pvt Limited vide its Letter No. BWR/NCD/MUM/CRC/NKR/0121/2024-25 dtd. 12.09.2024 has given Credit Update on the developments pertaining to the Brickwork Ratings (BWR) rated Bonds. Copy of aforesaid Letter is attached herewith

CRISIL Ratings Limited has also given Rating Rationale on dtd.11.09.2024. Copy of aforesaid Rating Rationale is attached herewith”.

Kindly take the same on record.

Thanking You

Yours Faithfully,

**(RATAN MANI SUMIT)**  
**COMPANY SECRETARY**



**Brickwork Ratings India Pvt. Ltd.**

Ground floor, Building No - S 14, Solitaire Corporate Park, Guru Hargovindji Marg, Chakala, Andheri (East), Mumbai - 400 093  
P: +91 22 2831 1426/39 | F: +91 22 2838 9144

**BWR/NCD/MUM/CRC/NKR/0121/2024-25**

**12 Sep 2024**

**The Director - Finance**  
**Mahanagar Telephone Nigam Limited**  
Khurshid Lal Bhawan, Janpath  
New Delhi - 110001

Dear Sir,

**Sub:** Review of the rating of Bonds aggregating Rs. 6500.00 Crs. (Rupees Six Thousand Five Hundred Crores Only) of Mahanagar Telephone Nigam Limited (MTNL).

**Ref:** i) Your mandate dated 29 Aug 2020

ii) Our previous rating letter: BWR/NCD/MUM/CRC/NKR/0079/2024-25 dated 09Jul2024

iii) Our previous rating letter: BWR/NCD/MUM/CRC/NKR/0113/2024-25 dated 29Aug2024

On a review of MTNL's credit profile based on the FY24 and Q1FY25 financial and operational performance and occurrences of non-adherence to the structured payment mechanism for the scheduled coupon payment of Bonds (not rated by BWR) leading to repeated invocation of the Government of India guarantee we wish to inform you that the rating of MTNL's Bond Issue has been reviewed as follows:

Instrument**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (09 Jul 2024)	Present
Bonds	6500.00	<b>6500.00</b>	Long Term	BWR AAA (CE)/Stable Reaffirmation	<b>BWR AAA (CE) Rating Watch with Negative Implications</b>
<b>Total</b>	6500.00	<b>6500.00</b>	<b>Rupees Six Thousand Five Hundred Crores Only</b>		

<b>Unsupported rating</b>	<b>BWR D (Reaffirmation)</b>
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\*Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for the definition of the ratings

\*\* Details of the Bonds are provided in Annexure-I

Note: Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.



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The rating continues to remain valid as per the previous rating letter dated 09 Jul 2024 subject to terms and conditions that were agreed in your mandate dated 29 Aug 2020 and other correspondence, if any and BWR's standard disclaimer appended at the end of this letter.

You are also required to keep us informed of any information/development that may affect your company's finances/performance without any delay. You are also requested to submit No Default Statement on a monthly basis. Non-submission of NDS on a monthly basis will result in publishing your entity's name on our website under "NDS not submitted".

We are also enclosing the Rating Rationale. Kindly acknowledge.

Best Regards,

**Niraj Kumar Rathi**  
**Director - Ratings**  
**Brickwork Ratings India Pvt Ltd**

**Note: Rating Rationale of all accepted Ratings are published on Brickwork Ratings website. All non-accepted ratings are also published on Brickwork Ratings web-site . Interested persons are well advised to refer to our website [www.brickworkratings.com](http://www.brickworkratings.com), If they are unable to view the rationale, they are requested to inform us on [brickworkhelp@brickworkratings.com](mailto:brickworkhelp@brickworkratings.com).**

**Disclaimer:** Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

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This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.

## Mahanagar Telephone Nigam Limited

### ANNEXURE I: Instrument Details

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars	Complexity of the Instrument*
Bonds	12 Oct 2020	4361.40	7.05%	11 Oct 2030	INE153A08089	Simple
Bonds	21 Dec 2020	2138.60	6.85%	20 Dec 2030	INE153A08097	Simple
	Total	6500.00	<b>Rupees Six Thousand Five Hundred Crores Only</b>			

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Note:** The rated bonds are listed on BSE. The coupon payment is semi-annual, and the principal repayment is a bullet payment for both bonds.

## Mahanagar Telephone Nigam Limited

### Annexure II

The following documents/ information (as applicable) should be submitted to BWR:

1. Confirmation from the entity that the terms & conditions of the sanction letter issued by the Bank have been complied with by the entity.
2. Certified copy of periodical inventories/book debts/bill receivables statements submitted to the bank.
3. Schedule of Term Loan Installments and interest due and payment made so far, if applicable.
4. Confirmation about payment of instalment and interest as and when paid.
5. Certified copies of Quarterly Information Statements (QIS) and Half Yearly Information Statements (HYIS) submitted to the bank.
6. Certified Copy of Quarterly Financial Statements (QFS) for the current FY.
7. Certified copy of Banks' Statements of Accounts on a quarterly basis.
8. Quarterly / Half yearly financial statements (unaudited or with limited review) and Annual financial statements (provisional as well as audited)
9. Information on delays/default in servicing bank loans, letters of credit, letters of guarantee, NCDs, bonds and other borrowings, if any, by the entity as at the end of March, June, September and December each year.



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10. Information on delays/default in servicing of debt obligations of any subsidiary / other group companies, if any, as at the end of March, June, September and December each year.
11. Certified copy of every monthly/quarterly book debt/receivable statement submitted to the Bank.
12. Any other statement/information sought by BWR from time to time.

**Mahanagar Telephone Nigam Ltd**

**Brickwork Ratings places the rating for Bonds amounting to Rs. 6500 Crs. of Mahanagar Telephone Nigam Ltd under Rating Watch with Negative Implications.**

**Particulars:**

Instrument**	Amount (Rs. Crs.)		Tenure	Rating*	
	Previous	Present		Previous (09 Jul 2024)	Present
Bonds	6500.00	<b>6500.00</b>	Long Term	BWR AAA (CE)/Stable Reaffirmation	<b>BWR AAA (CE) Rating Watch with Negative Implications</b>
<b>Total</b>	6500.00	<b>6500.00</b>	<b>Rupees Six Thousand Five Hundred Crores Only</b>		

The rating with the symbol CE is based on an unconditional, irrevocable, and legally enforceable guarantee from the Government of India (GoI) for the timely payment of debt obligations. Additionally, these bonds have a structured payment mechanism, including a defined payment mechanism with the maintenance of a Trust & Retention Account (TRA).

<b>Unsupported rating</b>	<b>BWR D (Reaffirmation)</b>
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**Note:** Unsupported rating does not factor in the explicit credit enhancement.

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

\*\* Details of the Bonds are provided in Annexure-II

**RATING ACTION / OUTLOOK**

Brickwork Ratings (BWR) has placed the rating of Rs. 6500 Crs. of Bonds of Mahanagar Telephone Nigam Ltd (MTNL or the company) on “Rating Watch with Negative Implications”.

The rating action factors in the continued non-adherence of the company to the structured payment mechanism as stipulated for the Government of India (GoI) guaranteed Bonds. As already mentioned in previous Updates on the matter published by BWR, the company was unable to fund the escrow account for the scheduled coupon payments of ISINs INE153A08154, INE153A08121, INE153A08139, INE153A08162, and INE153A08188 in past few months as per the terms of issue of those Bonds. The respective debenture trustees invoked the GoI guarantee on each occasion and the requisite funding was done by GoI to enable the company to meet its Bond service obligations on due dates. These non-fundings were considered payment default events per the terms of the issues. The aforementioned Bonds were not rated by BWR.





However, the continued inability of the company to fund the escrow account indicates the poor liquidity position of the company and casts doubt over its ability to fund the escrow account for the upcoming coupon payment of 12 Oct 2024 for the BWR-rated Bond (ISIN: INE153A08089).

BWR also takes note of the repeated bank loan defaults of the company in the past three months and the freezing of its accounts with Union Bank of India as a result of its loan accounts with the Bank slipping into NPA. The company maintains its Trust & Retention Account (TRA) (escrow account) with Bank of India. However, as per publicly available information, the company's loan accounts with Bank of India have also become NPA. This raises doubt about the future operational status of the escrow account of the BWR-rated Bonds.

BWR has rated MTNL bonds of issue size Rs. 6500 Crs. (ISINs: INE153A08089; INE153A08097). The credit enhancement of rating of these bonds is based on the unconditional, irrevocable, and legally enforceable guarantee from the Government of India (GoI), through the Department of Telecommunications (DoT), Ministry of Communications (MoC). The guarantee operates through a similar trustee-administered structured payment mechanism for the timely transfer of required funds towards payment of principal and interest to a designated account (TRA), ensuring timely debt servicing. The next coupon payment due date of one of these Bonds (ISIN: INE153A08089) is 12 Oct 2024 (Tth day). BWR will continue to monitor the adherence to the payment mechanism on these bonds and the developments regarding the company's debt servicing for other facilities and instruments not rated by BWR, along with other material events impacting its business and financial risk profile, and take appropriate rating action upon periodic assessments of such developments.

#### **ADEQUACY OF CREDIT ENHANCEMENT STRUCTURE**

BWR has assessed the attributes of availability of an unconditional, irrevocable, and legally enforceable guarantee for principal and interest as a continuing obligation by GoI. In case the company fails to fund the designated Trust & Retention Account (TRA) to the tune of the interest/principal obligations on the Bonds, GoI shall deposit the requisite funds in the designated TRA as per the Notice of Invocation served by the Trustee as per the terms of the Guarantee Agreement signed by GoI, Trustee (SBICAP Trustee Company Limited), and the company.

#### **KEY COVENANTS OF THE INSTRUMENTS RATED**

- Issuer: Mahanagar Telephone Nigam Limited (MTNL)
- Issue Size: Two tranches of Rs. 4361.40 Crs. (Tranche I) and Rs. 2138.60 Crs. (Tranche II) respectively.
- Type of Instrument: GoI Guaranteed, Unsecured, Rated, Listed, Redeemable, Non-Convertible, Taxable Bonds in the nature of Debentures.
- Face Value: Rs. 10,00,000/- only each.
- Interest Rate: Fixed (7.05% for Tranche I and 6.85% for Tranche II), to be paid semi-annually.
- Objects of the Issue: Refinancing of the existing debt.

- Tenor: 10 years; bullet repayment of the principal at the end of the tenor.
- Backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoAP.
- Maintenance of Trust & Retention Account (TRA) as part of the structured payment mechanism to ensure timely payment of Bonds' coupon and principal as and when due.
- Under the mechanism, the Trustee is to inform MTNL and GoI in writing on the T-30<sup>th</sup> day regarding the due date for payment of the interest/principal amount so that the necessary arrangements can be made for meeting the interest/principal payment obligations on the Bonds. (T is the due date of interest payment/principal repayment)
- By the T-10<sup>th</sup> day, the designated TRA is to be funded by MTNL to the tune of the interest/principal obligations on the Bonds.
- If the designated TRA is not funded to the requisite extent by the T-8<sup>th</sup> day, the Trustees shall forthwith invoke the GoI Guarantee by sending a Notice of Invocation to GoI.
- The T-3<sup>rd</sup> date is the last date by which GoI shall deposit requisite funds in the designated TRA as per the Notice of Invocation served by the Trustees.
- Put/Call Option: No.
- Both the Bonds (ISINs: INE153A08089; INE153A08097) are listed on BSE.

## KEY RATING DRIVERS

### Credit Strengths:-

- **Guarantee and support by GoI:** The GoI has provided a sovereign guarantee for the bonds via a guarantee deed dated 09 Sep 2020, covering both the principal and normal interest due to bondholders. The guarantee is irrevocable, unconditional and legally enforceable.
- **Availability of a Structured Payment Mechanism:** The bonds also have a structured payment mechanism to ensure the timely payment of dues to bondholders. MTNL has opened a designated Trust and Retention Account (TRA), monitored by a Debenture Trustee (DT), through which payments are being made to the bondholders.
- **Ownership and strategic importance:** MTNL's majority ownership is with the GoI, with demonstrated support from the GoI in the form of providing guarantees for the company's debt. Additionally, the company is of strategic importance to the government, considering that it is one of the only two public sector undertakings in the telecom sector

### Credit Risks:-

- **Weak financial and operational performance:** The company has been continuously reporting considerable net losses, and its net worth has fully eroded. The company's major revenue comes from landline users, and with the gradual reduction in the usage of landline services, revenues have been coming down continuously.





**ANALYTICAL APPROACH - Credit Enhancement**

For arriving at unsupported ratings, BWR has considered the standalone financials of MTNL. The CE rating derives credit enhancement from the unconditional, irrevocable, and legally enforceable guarantee from the GoI.

**RATING SENSITIVITIES:**

**Upward:** Not applicable

**Downward:**

- Continued non-adherence of the trustee-administered structured payment mechanism

**LIQUIDITY INDICATORS - Adequate**

On a standalone basis, the company’s liquidity is poor as manifested by the repeated defaults on bank loan obligations in June 2024 and July 2024. However, BWR rated bonds draw strength from the unconditional, irrevocable, and legally enforceable guarantee of GoI for timely principal repayment and normal interest payment.

**ABOUT THE ENTITY**

Macro Economic Indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Services	Telecom - Cellular & Fixed Line Services

Mahanagar Telephone Nigam Limited (MTNL) was set up on 01 April 1986 by the GoI to upgrade the quality of telecom services, expand the telecom network, introduce new services and raise revenue for the telecom development needs of India's key metro cities of Delhi and Mumbai. MTNL is the principal provider of fixed-line telecommunication services in Delhi and Mumbai. It offers mobile services in Delhi, including four peripheral towns, namely Noida, Gurgaon, Faridabad and Ghaziabad, and Mumbai, along with areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation. The company is listed on both the BSE and NSE.

**KEY FINANCIAL INDICATORS - ISSUER: Standalone**

Key Parameters	Unit	FY22	FY23	FY24	Q1FY25
		Audited	Audited	Audited	Unaudited
Total Operating Income	Rs. Crs.	1069.72	861.57	728.47	169.40
EBITDA	Rs. Crs.	-324.61	-450.00	-529.65	-110.68
PAT	Rs. Crs.	-2602.59	-2910.74	-3302.19	-771.82
TNW	Rs. Crs.	-21160.24	-22979.86	-25406.38	NA
Total Borrowings	Rs. Crs.	26606.47	28174.01	30027.82	NA

**Note:** All figures and ratios have been adjusted as per BWR standards.  
**NA** = Not Available.

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal & suspended]**

Instrument	Current Rating (Sep 2024)			Rating History								
	Type	Tenure	Amount (Rs. Crs.)	Rating	2024		2023		2022		2021	
					Date	Rating	Date	Rating	Date	Rating	Date	Rating
Bonds	Long Term	6500.00	BWR AAA (CE) Rating Watch with Negative Implications Unsupported: BWR D Reaffirmation	09 Jul 2024	BWR AAA (CE)/Stable Reaffirmation Unsupported: BWR D Downgrade	15 Nov 2023	BWR AAA (CE)/Stable Reaffirmation Unsupported: BWR C Reaffirmation	03 Oct 2022	BWR AAA (CE)/Stable Reaffirmation Unsupported: BWR C Downgrade	14 Oct 2021	BWR AAA (CE)/Stable Reaffirmation Unsupported: BWR BBB-/Stable Reaffirmation	
<b>Total</b>		<b>6500.00</b>	<b>Rupees Six Thousand Five Hundred Crores Only</b>									

**NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):** No non-cooperation from any other CRA.

**HYPERLINK/REFERENCE TO APPLICABLE CRITERIA**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Credit Enhancement](#)
- [Rating Based on Government Support](#)
- [Default Recognition and Post Default Curing Period Policy](#)

Analytical Contacts	
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1-860-425-2742	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>

## MAHANAGAR TELEPHONE NIGAM LIMITED

### ANNEXURE-I

#### Details Of Bank Facilities Rated By BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)	Complexity of the Instrument*
	Nil	Nil	Nil	Nil	Nil	NA
		TOTAL	Nil	Nil	Nil	
	Total Nil					

\*For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

### ANNEXURE-II Instrument Details

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars	Complexity of the Instrument*
Bonds	12 Oct 2020	4361.40	7.05%	11 Oct 2030	INE153A08089	Simple
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	Total	6500.00	<b>Rupees Six Thousand Five Hundred Crores Only</b>			

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**Note:** The bonds are listed on BSE.

### ANNEXURE-III List of Entities Consolidated

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
Nil	Nil	Nil	Nil



### **Print and Digital Media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitization Products, Municipal Bonds, etc. BWR has rated over 11,560 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner.

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## Rating Rationale

September 11, 2024 | Mumbai

### Mahanagar Telephone Nigam Limited

Rating placed on 'Watch Negative'

#### Rating Action

<b>Rs.6500 Crore Bond</b>	<b>CRISIL AAA (CE) /Watch Negative (Placed on 'Rating Watch with Negative Implications')</b>
<b>Non-Convertible Debentures Aggregating Rs.3688.97 Crore</b>	<b>CRISIL AAA (CE) /Watch Negative (Placed on 'Rating Watch with Negative Implications')</b>

*Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.*

*1 crore = 10 million*

*Refer to Annexure for Details of Instruments & Bank Facilities*

#### Detailed Rationale

CRISIL Ratings has placed its rating on the Rs 6,500 crore bonds and Rs 3,688.97 crore non-convertible debentures (NCDs) of Mahanagar Telephone Nigam Ltd (MTNL) on '**Rating Watch with Negative Implications**'

The rating action follows the non-adherence of structured payment mechanism for government guaranteed bonds serviced in the second quarter of fiscal 2025. Of the five instances of debt servicing of Government of India (GOI) guaranteed bonds (INE153A08154, INE153A08121, INE153A08139, INE153A08162, INE153A08188) made in the second quarter of fiscal 2025 (as of date), only two bond payments (INE153A08154 and INE153A08121) were made as per the stipulated T-structure payment mechanism. Though the remaining bond servicing obligations were met by the due date, the payment mechanism for the bonds was not adhered to as specified. While the structured payment mechanism specifies the account should be funded by the T-3 date by the guarantor (GOI), there was a delay of 1-2 days in funding of the designated account beyond the T-3 date. Ongoing non-adherence to the structure poses a risk to servicing of the bonds rated by CRISIL Ratings, which will be due for servicing from October 2024 onwards.

CRISIL Ratings also takes note of the uncertainty that exists regarding active operational status of company's escrow accounts with Bank of India (BOI), as the company's loan account with BOI has slipped into Non Performing Account (NPA) category on September 4, 2024. Earlier, Union Bank of India has imposed freezing on all bank accounts of MTNL following the classification of its corresponding loan account as NPA on August 12, 2024. Despite the funds being mobilised ahead of the due date for servicing GOI guaranteed bonds in the designated escrow accounts, freezing of the escrow accounts due to operational issues may have adverse implications on the timely servicing of the bonds as per the T-structure format.

Furthermore, CRISIL Ratings understands basis discussion with the company representatives as well as bankers that all the escrow accounts pertaining to the servicing of the GOI guaranteed bonds are maintained with BOI and none of the escrow accounts were frozen as on September 9, 2024. The latest interest payment made to investors from the BOI's escrow account was on September 6, 2024, post its loan accounts slippage into NPA on September 4, 2024. However, the management has not received any written confirmation on the future operational status of the escrow account from the escrow bank if the NPA status of the loan account continues. CRISIL Ratings needs more clarity on issues related to non-adherence of structured payment mechanism by Department of Telecommunications, concerns related to freezing of bank account and plan of action to resolve the existing delays and its overall approach for managing the liquidity and financial stability. CRISIL Ratings is awaiting the company's response on this matter and will continue to engage and follow up with the company. Also, CRISIL Ratings will endeavor to contact the representatives from the Department of Telecommunications to understand their perspectives on adherence to structured payment mechanism as well as operational aspects of escrow accounts.

CRISIL Ratings will continue to closely monitor the adherence to the pre-default payment mechanism structure and operational impact of BOI's NPA classification of the loan account on its escrow accounts, if any, and will accordingly resolve the watch once greater clarity emerges. Continuation of non adherence to the payment structure mechanism in upcoming payments, any operational issues in bonds servicing along with continued uncertainty in case no clarity received on plan for adherence to payment mechanism from management may lead to downgrade of the ratings.

The ratings continue to be supported by the credit enhancement provided by the unconditional and irrevocable guarantee from the GOI through the Department of Telecommunications, Ministry of Communications, and the trustee-administered payment mechanism.

#### Analytical Approach



The rating is fully driven by the unconditional and irrevocable guarantee provided by the government and the trustee-administered payment mechanism. The rating also factors in the government's majority stake in MTNL.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

### **Key Rating Drivers & Detailed Description**

#### **Strength:**

- **Credit enhancement provided by comprehensive, unconditional and irrevocable guarantee from the government:** The rating is based on the strength of the credit enhancement facility provided by the unconditional and irrevocable guarantee from the government through the Department of Telecommunications, Ministry of Communications.

#### **Weakness:**

- **Non adherence to the timelines of the payment T-structure mechanism:** The pre-default payment T-structure mechanism between MTNL, GOI and debenture trustee was designed to ensure adequacy of funds in the designated account much before the actual payment date (T-10 days) and the payment mechanism defines multiple timelines with T-3 day as the ultimate deadline for GOI to transfer the requisite funds for majority of the bonds. Though timely payment to investors is being made(as of date), in three of the five instances of bond servicing made in the second quarter of fiscal 2025, the payment framework was not adhered to as specified. In the said three instances, there was a delay of 1 to 2 days in funding of the designated account beyond the final timeline of T-3 day stipulated in the payment mechanism. The ongoing nonadherence to the structure poses a risk to servicing of the CRISIL rated bonds which will be due for servicing from October 2024 onwards. CRISIL Ratings will continue to closely monitor the structured payment mechanism for GOI guaranteed bonds and if non-adherence persists, rating actions will be taken as deemed appropriate.

#### **Liquidity: Superior**

The rated bonds and NCDs derive comfort from the liquidity based on the guarantee structure (unconditional and irrevocable guarantee from the government through the Department of Telecommunications, Ministry of Communications), which should ensure timely servicing of debt.

#### **Rating Sensitivity factors**

##### **Downward factors**

- Non-adherence to terms of the transaction guarantee structure/payment mechanism
- Change in functional status of the escrow accounts from active to inactive/frozen resulting in a hindrance to the escrow mechanism process
- Delays in receipt of funds in the designated account
- Any change in the support philosophy of the government

#### **Adequacy of the credit enhancement structure**

The government has provided a comprehensive, unconditional and irrevocable guarantee for the bonds and NCDs rated by CRISIL Ratings. The guarantee shall not be transferrable to any agency without prior approval of the Ministry of Finance (budget division). The well-defined T-structure should ensure timely payment of the interest and principal obligations.

#### **Unsupported rating: 'CRISIL D'**

CRISIL Ratings has introduced the suffix CE for instruments with an explicit credit enhancement feature, in compliance with the Securities and Exchange Board of India's circular dated June 13, 2019.

#### **Key drivers for unsupported ratings**

CRISIL Ratings has reaffirmed its 'CRISIL D' unsupported rating for MTNL owing to continuing delays in servicing debt since June 2024 due to stretched liquidity. The rating factors in the continued deterioration in the operating performance of the company and sustenance of weak financial risk profile. The overall financial risk profile has weakened due to lasting delays in debt servicing of non-guaranteed facilities and non-adherence to the Payment T-structure in latest instances of bond payments made for guaranteed debt as per the agreed payment mechanism. Further, the payment obligations for GOI guaranteed bonds are being serviced by GOI directly for all the bonds which were due in the second quarter of fiscal 2025 (as on date).

CRISIL Ratings is aware of MTNL's board approval for service agreement between BSNL and MTNL and will continue to monitor the developments given that the service agreement awaits regulatory approvals. For arriving at the unsupported rating, CRISIL Ratings has combined the business and financial risk profiles of MTNL and its subsidiaries (refer to annexure), as these companies are in related businesses and have common promoters. The financial risk profile of the company remains weak because of accumulated losses, high debt and negative network.

#### **About the issuer:**

MTNL was set up by the Government of India in April 1986 to improve the quality of telecommunication (telecom) services, expand the telecom network and introduce new telecom services in Delhi and Mumbai. MTNL has a large backhaul capacity of transmission cables, towers and optical fibres in the two circles. The company had 2.14 million subscribers for mobile services and 2.29 million subscribers with fixed-line telephone connections as on April 30, 2023.

#### **Key Financial Indicators**

Particulars	Unit	2024	2023
Revenue	Rs crore	799	935
Profit after tax (PAT)	Rs crore	-3268	-2915
PAT margin	%	NM	NM
Adjusted debt/adjusted networkth	Times	NM	NM

<b>Interest coverage</b>	<b>Times</b>	<b>NM</b>	<b>NM</b>
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These are CRISIL Ratings-adjusted numbers and may not match directly with the numbers reported by the company.  
 NM: Not meaningful since numbers are negative

### List of covenants

The material covenants of the bonds and NCDs are as follows:

- The government would only cover the principal amount and the normal interest.
- The guarantees would not be transferrable to any agency without prior approval of the budget division, Department of Economic Affairs, Ministry of Finance. In case of default, the lending agency shall invoke the guarantee within a time limit not exceeding 60 days of the default. In case the guarantee is not invoked within the stipulated period, the guarantee would cease to exist for that portion of the tranche/loan/liability for which guarantee has not been invoked.
- The government guarantee shall reduce periodically equivalent to the repayment that ought to have been made by the borrower as per the terms and conditions of the loan agreement. This will be subject to the condition above.
- The trustee-monitored payment mechanism for the listed instruments are as follows:

### Payment structure for NCDs amounting to Rs 3,668.97 crore (to be serviced by the government)

Trigger date	Action point
(T-30)th day*	Trustees to inform MTNL and the government in writing regarding the due date of the payment of interest or principal amount so that the necessary arrangements could be made for meeting the interest payment / repayment of obligation on the instrument.
(T-10)th day*	The designated trust and retention account is to be funded by the government to the amount of the interest/principal obligation on the bonds.
(T-8)th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8)th day as above, the trustees shall forthwith invoke the government guarantee by sending a notice of invocation to the government.
(T-1)th day*	Last date by which the government deposits requisite funds in the designated trust and retention account as per the notice of invocation.

NOTE: "T" refers to the due date for interest payments/ principal repayments.

If any coupon payment date falls on a day that is not a business day, the payment shall be made by the issuer on the following working day, in line with SEBI circular number CIR/IMD/DF-1/122/2016 dated November 11, 2016.

If the redemption date (also being the last coupon payment date) of the bonds falls on a day that is not a business day, the redemption proceeds shall be paid by the issuer on the immediately preceding business day along with interest accrued on the bonds until but excluding the date of such payment.

### Payment structure for bonds amounting to Rs 6,500 crore (to be serviced by MTNL)

Trigger date	Action point
(T-30)th day*	Trustees to inform MTNL and the government in writing regarding the due date for payment of interest or principal amount so that the necessary arrangements could be made for meeting the interest payment/principal repayment obligation on the bonds.
(T-10)th day*	The designated trust and retention account is to be funded by MTNL for the interest/principal obligation on the bonds.
(T-8)th day*	If the designated trust and retention account is not funded to the requisite extent by T-8 <sup>th</sup> day, the trustees shall forthwith invoke the government guarantee by sending a notice of invocation to the government.
(T-3)th day*	Last date by which the government shall deposit requisite funds in the designated trust and retention account as per the notice of invocation served by the trustees.

NOTE: "T" refers to the due date for interest payments/ principal repayments.

If any coupon payment date falls on a day that is not a business day, the payment shall be made by the issuer on the following working day, in line with Securities and Exchange Board of India (SEBI) circular number CIR/IMD/DF-1/122/2016 dated November 11, 2016.

If the redemption date (also being the last coupon payment date) of the bonds falls on a day that is not a business day, the redemption proceeds shall be paid by the issuer on the immediately preceding business day along with interest accrued on the bonds until but excluding the date of such payment.

**Any other information:** Not Applicable

### Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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### Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity level	Rating assigned with outlook
INE153A08048	NCDs	19-Nov-14	8.24%	19-Nov-24	1400	Complex	CRISIL AAA (CE) /Watch Negative
INE153A08063	NCDs	19-Nov-14	8.24%	19-Nov-24	0.07	Complex	CRISIL AAA (CE) /Watch Negative
INE153A08071	NCDs	28-Nov-14	8.29%	28-Nov-24	2268.9	Complex	CRISIL AAA (CE) /Watch Negative
NA	NCDs*	NA	NA	NA	20	Complex	CRISIL AAA (CE) /Watch Negative

INE153A08089	Bonds	12-Oct-20	7.05%	11-Oct-30	4361.4	Complex	CRISIL AAA (CE) /Watch Negative
INE153A08097	Bonds	21-Dec-20	6.85%	20-Dec-30	2138.6	Complex	CRISIL AAA (CE) /Watch Negative

\* Yet to be placed

#### Annexure – List of entities consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Mahanagar Telephone (Mauritius) Ltd	Fully consolidated	Strong financial and business linkages
Millennium Telecom Ltd	Fully consolidated	Strong financial and business linkages
MTNL STPI IT Services Ltd	Equity method	Proportionate consolidation
United Telecommunications Ltd (Utl), Nepal	Equity method	Proportionate consolidation

#### Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Bond	LT	6500.0	CRISIL AAA (CE) /Watch Negative	15-07-24	CRISIL AAA (CE) /Stable	29-08-23	CRISIL AAA (CE) /Stable	19-09-22	CRISIL AAA (CE) /Stable	30-09-21	CRISIL AAA (CE) /Stable	CRISIL AAA (CE) /Stable
			--	05-07-24	CRISIL AAA (CE) /Stable		--		--		--	--
Non Convertible Debentures	LT	3688.97	CRISIL AAA (CE) /Watch Negative	15-07-24	CRISIL AAA (CE) /Stable	29-08-23	CRISIL AAA (CE) /Stable	19-09-22	CRISIL AAA (CE) /Stable	30-09-21	CRISIL AAA (CE) /Stable	CRISIL AAA (CE) /Stable
			--	05-07-24	CRISIL AAA (CE) /Stable		--		--		--	--

All amounts are in Rs.Cr.

#### Criteria Details

<b>Links to related criteria</b>
<a href="#">CRISILs Approach to Financial Ratios</a>
<a href="#">Criteria for rating instruments backed by guarantees</a>
<a href="#">Meaning and applicability of SO and CE symbol</a>
<a href="#">Rating criteria for manufacturing and service sector companies</a>
<a href="#">Rating Criteria for Mobile Telephony Services</a>
<a href="#">CRISILs Criteria for Consolidation</a>

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