

महानगर टेलीफोन निगम लि.

(भारत सरकार का उद्यम)

Mahanagar Telephone Nigam Ltd.

(A Government of India Enterprise)



MTNL/SECTT/SE/2020

July 23, 2020

The Secretary,
Stock Exchanges,
BSE/NSE/OTCQX

**SUB: Compliance of Regulation 30 of SEBI (LODR) Regulations, 2015 –
Submission of Statutory Auditor Qualification and Reply of Management on
Audited Financial Statements of MTNL ended on 31st March, 2020**

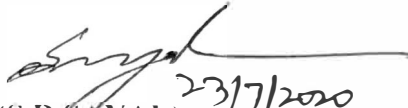
Dear Sir,

Further to our letter of even no. dtd 22.07.2020, we are forwarding herewith the Statutory Auditor Qualification and Reply of Management (Standalone & consolidated) on Audited Financial Statements of MTNL.

Kindly acknowledge the receipt and take the same on record.

Thanking you.

Yours faithfully,


23/7/2020
(S R SAYAL)
COMPANY SECRETARY

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

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

आप हमारे साथ हिन्दी में भी पत्राचार कर सकते हैं।

Auditor's Qualifications and reply :(FY.2019-20) Standalone

Sr. No.	Qualification	Management Reply
I	<p>The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2020 as well as in the previous year and the current liabilities exceeded the current assets substantially.</p> <p>Furthermore, Department of Public Enterprises vide its Office Memorandum No. DPE/5(1)/2014-Fin. (Part-IX-A) has classified the status of the Company as "Incipient Sick CPSE". Department of Telecommunication (DOT) has also confirmed the status vide its issue no. I/3000697/ 2017 through file no. 19-17/2017 – SU-II.</p> <p>However, the standalone Ind AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note.</p> <p>Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.</p>	<p>As per IND AS-I, paras 25 & 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules, support being given by govt. as promoter as per cabinet approval for various measures for revival of MTNL and prepared the accounts on going concern basis since the revival process has been already been approved by govt. As per approval of govt. 14587 numbers of employees were retired under VRS scheme which reduced staff cost from Rs. 2400 crores to Rs. 600 crores. Similarly, others measures in process viz. allotment of 4G spectrum against capital infusion by DOT, monetisation of assets and issuance of sovereign guarantee bonds worth Rs. 6500 crores would be paving the way for MTNL to become profitable considering all these, there is no reason to not prepare the accounts on going concern basis.</p>
II	<p><u>Bharat Sanchar Nigam Limited (BSNL):</u></p> <p>a) <u>Bharat Sanchar Nigam Limited (BSNL):</u>The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,504.10 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.</p>	<p>Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims pertaining to 2014-15 in case of AFNET for 2019-20 also have been settled by intervention at the highest level of DoT in the year under report. As such the issue is under procedure of settlement since both being PSUs under DOT, there would be settlement at the earliest and the process is also closely being monitored. In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage.</p>



b) The Company has not provided a provision for doubtful claims in respect of lapsed CENVAT Credit due to non-payment of service tax to service providers within the period of 180 days and due to transition provision under Goods and Service Tax (GST) where the aforesaid CENVAT credit amounting to Rs. 144.66 Crores has not been carried forward or ineligible credits amounting to Rs. 51.65 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

b) The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit & loss account. Besides the issues are under advise from GST consultants to request govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the tax payments are made to service tax department and in those cases where bills are to be paid by BSNL the issues are deliberated with BSNL since majority of cases related to BSNL. The procedure of exchanging off and matching amounts between MTNL & BSNL is evolved to ensure that both BSNL & MTNL would get GST benefit. As regards service tax cases of post POTR also it is being contemplated to settle the amounts with service tax so that CENVAT gets concluded off since service tax regime is over.

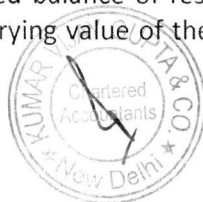
III

The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 417.48 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.

Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However there are recoverable amounts viz, GPF RS 23.15 Crs, claims on account of old raises bonds (Rs. 431.56 Crs) and other miscellaneous claims to the tune of RS. 214 crs which are clearly identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation. The issue of settlement of earlier period bonds related claims of Rs.431 crores is also in progress in D.O.T through a committee. In view of above there will be no impact and claims are being pursued at DOT level and are recoverable.



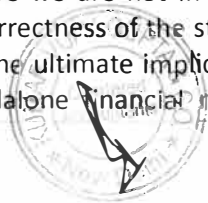
<p>IV</p>	<p>Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.</p>	<p>The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed which is going on. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon. As such there is no effective or ascertainable impact.</p>
<p>V</p>	<p>The Company had allocated the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified.</p>	<p>As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However all the units were instructed to allocate only directly allocable costs. As the issue is under deliberation, overheads are being allocated on the basis of earlier policy wherever the directly allocable costs could not be captured.</p> <p>In view of above the impact is not ascertainable.</p>
<p>VI</p>	<p>Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 “Impairment of Assets” prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units.</p>	<p>The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried for the period ending 31.3.2020, there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets.</p> <p>In view of above according to management there may not be any impact on this count.</p>



<p>VII</p>	<p>The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable.</p>	<p>Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed from them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are specific disputes brought to compass notice as to the quantum of payables or receivables from excess as provided in books or disclosed in contingent liability. There is no impact other than disclosed in financial statements.</p>
<p>VIII</p>	<p>Unlinked credit of Rs. 75.69 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.</p>	<p>The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time and amount will be booked to correct head of account. Since this is purely accounting classification matter, no impact will be there.</p>
<p>IX</p>	<p>Property, Plant and Equipment are generally capitalized on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items or inventory issued from the Stores. Due to delays in issuance of the completion certificates or receipt of the bills or receipt of inventory issue slips, there are cases where capitalization of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalized in the balance sheet cannot be ascertained and quantified.</p>	<p>Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years. In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not expect that there could be any impact and thereby the same is also not ascertainable at this stage.</p>



<p>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.</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not ascertainable.</p>
<p>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.</p> <p>As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage and subsequently the same is withdrawn.</p> <p>Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators 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 till last year although no further demand is there from DOT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum allotted beyond 6.2 Mhz , directed Govt. to review the demand for spectrum allotted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was allotted before 1-1-2013. As explained , as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand , if any, can not be more than Rs 455 crs the same is disclosed in contingent liability.</p> <p>In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial results of the</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in the demand raised earlier on MTNL. MTNL has surrendered spectrum allotted on trial basis in respect of GSM and also does not require to pay for CDMA spectrum as the allotment was within allotted quantum and D.O.T. was apprised of the same and the demand of Rs.107.44 crores of CDMA was withdrawn on 28.10.2013. For GSM no notice or demand was raised for 2G(GSM) spectrum till date after initial demand dated 8/1/2013. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself was challenged by private operators TDSAT directed vide judgment dated 4/7/2019 to review the OTSC ,while setting aside the demands raised by DOT, and directed govt to review the demand for spectrum allotted after 1/7/2008 and that too w.e.f 1/1/2013 in case the spectrum beyond 6.2 Mhz was allotted before 1/1/2013 only. Since MTNL spectrum was allotted much before 1-7-2018, as per TDSAT judgement dated 4/7/2019, the demand if any cannot be more than Rs. 455 crores. As no demand is raised by DOT after 4/7/2019, the contingent liability of Rs. 455 crores is disclosed although the same is also not expected to arise. However, the contingent liability of Rs.455 crores is estimated on the basis of TDSAT judgement in this regard given in the case filed by private operators. In view of above there is no impact expected in this regard and no liability also would arise in the view of management.</p>



Company.

XII The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions in earlier years, on which Goods and Service Tax (GST) has not been paid. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified.



The imposition of GST on LD charges was discussed long ago at the time of inception of GST and E&Y opined that no GST is leviable on LD charges which subsequently after some time was changed by E&Y and advised that it is better to obtain credit notes for such delayed supplies or returned goods. The procurement policy is also modified accordingly. In view of the change of procurement policy w.r.t supplies IM 53 was issued. The units have been trying to get credit notes and once credit notes come MTNL can take necessary action. The time for filing such credit notes for vendors is upto 30thSept 2020. In the meanwhile MTNL units are told to not to take ITC on such LD amounts and payments made may be treated as partial till the credit notes are received. If no credit note is received MTNL will issue invoice/ debit note to and pay GST on it and also avail the input tax credit. In view of this, the impact if any, is not ascertainable at this stage and once the return is finalised, the liability if any will be accounted for in financial year 2020-21.

Auditor's Qualifications and reply :(FY.2019-20) Consolidated

Sr.
No.

Qualification

The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2020 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. I/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.

Further, Union Cabinet has also approved the "Revival plan of BSNL and MTNL" by reducing employee costs, administrative allotment of spectrum for 4G services, debt restructuring by raising of sovereign guarantee bonds, monetization of assets and in principle approval for merger of BSNL and MTNL.

Management Reply

As per IND AS-I, paras 25 & 26, management has considered all relevant factors including uncertainties as well as debt repayment schedules, support being given by govt. as promoter as per cabinet approval for various measures for revival of MTNL and prepared the accounts on going concern basis since the revival process has been already been approved by govt. As per approval of govt. 14587 numbers of employees were retired under VRS scheme which reduced staff cost from Rs. 2400 crores to Rs. 600 crores. Similarly others measures in process viz. allotment of 4G spectrum against capital infusion by DOT, monetisation of assets and issuance of sovereign guarantee bonds worth Rs. 6500 crores would be paving the way for MTNL to become profitable considering all these, there is no reason to not prepare the accounts on going concern basis.

II Bharat Sanchar Nigam Limited (BSNL):

a) Bharat Sanchar Nigam Limited (BSNL): The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,504.10 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.

a) Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims pertaining to 2014-15 in case of AFNET for 2019-20 also have been settled by intervention at the highest level of DoT in the year under report. As such the issue is under procedure of settlement since both being PSUs under DOT, there would be settlement at the earliest and the process is also closely being monitored.

In view of above, no impact is anticipated at this stage and, if at all, it would not be ascertainable at this stage.



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.

b) The pre POTR credits outstanding are having per contra debits also and in case of reversal both need to be reversed with no impact on profit & loss account. Besides the issues are under advise from GST consultants to request govt. to, not to disallow such credits due under erstwhile tax laws due to GST law. As regards post POTR credits, the tax payments are made to service tax department and in those cases where bills are to be paid by BSNL the issues are deliberated with BSNL since majority of cases related to BSNL. The procedure of exchanging off and matching amounts between MTNL & BSNL is evolved to ensure that both BSNL & MTNL would get GST benefit. As regards service tax cases of post POTR also it is being contemplated to settle the amounts with service tax so that CENVAT gets concluded off since service tax regime is over.

III

The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 417.48 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.

Management has taken up the matter of reconciliation and settlement of amounts which ever are not confirmed with the Administrative ministry. However there are recoverable amounts viz, GPF RS 23.15 Crs, claims on account of old raises bonds Rs. 431.56 Crs and other miscellaneous claims to the tune of RS. 214 crs., which are clearly identified and acknowledged for settlement. The matter has been taken up with higher level officers of DOT for reconciliation and confirmation. The issue of settlement of earlier period bonds related claims of Rs.431 crores is also already in progress in D.O.T through a committee. In view of above there will be no impact and claims are being pursued at DoT level and are recoverable.



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



<p>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.</p>	<p>Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is needed from them. Since the payables and receivables are settled as stated above and the same is a continuous process and also as there are specific disputes brought to compass notice as to the quantum of payables or receivables from excess as provided in books or disclosed in contingent liability. There is no impact other than disclosed in financial statements.</p>
<p>VIII Unlinked credit of Rs. 75.69 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.</p>	<p>The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. Besides the reconciliation is under process and same will be completed in due course of time and amount will be booked to correct head of account. Since this is purely accounting classification matter, no impact will be there.</p>
<p>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</p>	<p>Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been got reduced and capitalised pertaining to previous years.</p> <p>In view of above and also the ongoing process of capitalisation of old to oldest WIP, management do not expect that there could be any impact and thereby the same is also not ascertainable at this stage.</p>



<p>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.</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not ascertainable.</p>
<p>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.</p> <p>As explained the demand for spectrum usage for CDMA has been revised by Rs. 107.44 Crores on account of rectification of actual usage and subsequently the same is withdrawn.</p> <p>Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by private operators 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 till last year although no further demand is there from DOT till date. However as explained further, the TDSAT while setting aside the levy of OTSC on spectrum allotted beyond 6.2 Mhz , directed Govt. to review the demand for spectrum allotted after 1-7-2008 and that too wef 1-1-2013 in case the spectrum beyond 6.2 Mhz was allotted before 1-1-2013. As explained , as per the TDSAT orders also no further demand is raised till now and as per management based on TDSAT direction the demand , if any, can not be more than Rs 455 crs the same is disclosed in contingent liability.</p> <p>In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone financial results of the</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in the demand raised earlier on MTNL. MTNL has surrendered spectrum allotted on trial basis in respect of GSM and also does not require to pay for CDMA spectrum as the allotment was within allotted quantum and D.O.T. was apprised of the same and the demand of Rs.107.44 crores of CDMA was withdrawn on 28.10.2013. For GSM no notice or demand was raised for 2G(GSM) spectrum till date after initial demand dated 8/1/2013. Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself was challenged by private operators TDSAT directed vide judgment dated 4/7/2019 to review the OTSC ,while setting aside the demands raised by DOT, and directed govt to review the demand for spectrum allotted after 1/7/2008 and that too w.e.f 1/1/2013 in case the spectrum beyond 6.2 Mhz was allotted before 1/1/2013 only. Since MTNL spectrum was allotted much before 1-7-2018, as per TDSAT judgement dated 4/7/2019, the demand if any cannot be more than Rs. 455 crores. As no demand is raised by DOT after 4/7/2019, the contingent liability of Rs. 455 crores is disclosed although the same is also not expected to arise. However, the contingent liability of Rs.455 crores is estimated on the basis of TDSAT judgement in this regard given in the case filed by private operators. In view of above there is no impact expected in this regard and no liability also would arise in the view of management.</p>



Company.

XII The Company has deducted/collected Liquidated Damages from vendors on account of non-fulfilment of contracted conditions in earlier years, on which Goods and Service Tax (GST) has not been paid. The actual impact of the same on the Consolidated Ind-AS financial statements for year is not ascertained and quantified.

The imposition of GST on LD charges was discussed long ago at the time of inception of GST and E&Y opined that no GST is leviable on LD charges which subsequently after some time was changed by E&Y and advised that it is better to obtain credit notes for such delayed supplies or returned goods. The procurement policy is also modified accordingly. In view of the change of procurement policy w.r.t supplies IM 53 was issued. The units have been trying to get credit notes and once credit notes come MTNL can take necessary action. The time for filing such credit notes for vendors is upto 30thSept 2020. In the meanwhile MTNL units are told to not to take ITC on such LD amounts and payments made may be treated as partial till the credit notes are received. If no credit note is received MTNL will issue invoice/ debit note to and pay GST on it and also avail the input tax credit. In view of this, the impact if any, is not ascertainable at this stage and once the return is finalised, the liability if any will be accounted for in financial year 2020-21.

