



MTNL/SECTT/SE/2016  
May 31, 2016

The Secretary,  
Stock Exchanges,  
BSE/NSE

**SUB: Compliance of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Submission of Audit Report for the F.Y. ended on 31<sup>st</sup> March, 2016**

Dear Sir,

Further to our letter of even no. dtd 30.05.2016 regarding Audited Financial Statements of MTNL, kindly find following documents:

- i) MTNL Audit Qualifications on Standalone and Consolidated Financial Statements of 2015-16;
- ii) Statement on Impact of Audit Qualifications (for audit report with modified opinion) - Standalone and Consolidated.

Kindly acknowledge the receipt and take the same on record.


Thanking you,

Yours faithfully,

  
(S R SAYAL)  
COMPANY SECRETARY  


**MTNL Audit Qualifications on Standalone Financial Statements of 2015-16**

Sr. No.	Qualification	Management Estimation /Views/Reasons for being unable to estimate the impact.
1	<p>The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3098.39 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 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. In addition the matter has been taken up with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books for the year 2015-16. The claims pertaining to 2013-14 &amp; some of the claims of 2014-15 have been mutually settled already and the process of settlement under DOT guidance has commenced. As such the issue of settlement is under progress.</p> <p>In view of above the impact is not assessable.</p>
2	<p>The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 8059.67 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 financial statements of the Company</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the recoverable amount of Rs 8109.09 crores includes the GPF (RS 1946.56 Crs), Excess pension paid from 1-10 2000 (Rs1179.36 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.7659.89 crores identified and acknowledged for settlement. In addition to the reply of management requests made to DOT, for reconciliation and confirmation of balance claims also shown by MTNL in the books for the year 2015-16.</p> <p>In view of above the impact is not assessable.</p>

  
 उप महा प्रबन्धक (लेखा)/Dy. Gen. Manager (Accounts)  
 म० ट० नि० लि०, निगम कार्यालय/MTNL Corporate Office  
 चौथी मंजिल, महानगर दूरसंचार सदन  
 4th Floor, Mahanagar Doorsanchar Sadan  
 9, सी.जी.ओ. कॉम्प्लेक्स, लोधी रोड, नई दिल्ली-110003  
 9, C.G.O. Complex, Lodhi Road, New Delhi-110003





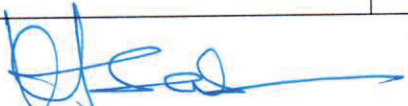
3	<p>Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license 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 upto financial year 2011-12 by way of contingent liability of Rs. 140.36 crores instead of actual liability resulting in under statement of current liabilities and under statement 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 with BSNL. 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.</p>
4	<p>The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, the same results into overstatement of capital work in progress/ fixed assets and under statement of loss. The actual impact of the same on the financial statements for year is not ascertained and quantified.</p>	<p>As regards the allocation of over heads in line with AS-10, 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 MTNL has already appointed a consultant to get the old policy reviewed and on receipt of his final report necessary further action will be taken to bring it more aligned to the company act 2013 related rules and also AS-10. As regards the allocation of overhead MTNL has already appointed an M/s Rawla &amp; Co. Chartered Accountant as consultant for advising the more scientific policy on allocation of overheads which is expected to be completed in the current financial year . In view of above the impact is not assessable.</p>



<p>5</p> <p>Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to AS-28 "Impairment of Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. 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 31.3.2016 there is no impairment loss and there are also no specific indicators of such loss. Occurrences of losses is although an indicator for impairment testing in case of assets, but in the present case the loss is on account of legacy issue viz. 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. The testing is being done at the end of each year and there is no impairment according to the company's understanding.</p> <p>In view of above the impact is not assessable.</p>
<p>6</p> <p>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 financial statements is 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 not needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process, there is no impact otherwise and wherever necessary adjustments are also made. Although no specific confirmation is taken all the bills issued by company show outstanding including details of such outstanding old bills to subscriber as part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate debtors/receivables. As regards payables the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arise as it is as per</p>



		<p>contractual obligations. In view of above the impact is not assessable.</p>
<p>7</p>	<p>Dues from the operators are not taken into account for making provision for doubtful debts. Also in respect of Delhi Unit, no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified.</p>	<p>The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic/GSM/CDMA has been done as per the policy. The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses. In view of above the impact is not assessable..</p>
<p>8</p>	<p>(a) In Delhi 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 financial statements cannot be ascertained and quantified at present</p> <p>(b) Unlinked credit of Rs. 13.79 crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated.</p>	<p>(a)The reconciliation is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process. In view of above the impact is not assessable.</p> <p>(b)The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time.</p>

  
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 चौथी मंजिल, महानगर नवमंजिल बंगला





9	<p>In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified.</p>	<p>Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit.</p> <p>In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time at Delhi unit. While Mumbai unit has already completed it. As such there is no such possibility for quantification and on materiality aspect also there is no issue.</p> <p>In view of above the impact is not assessable.</p>
10	<p>Fixed assets are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the fixed assets 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 fixed assets capitalised in the balance sheet cannot be ascertained</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 reduced to Rs.102.02 crs as at 31-3-16 compared to Rs. 133.48 crs as at 31-3-15.</p> <p>In view of above the impact is not assessable.</p>
11	<p>Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification.</p> <p>In view of above the impact is not assessable.</p>



	records, impact of such classification on the financial statements cannot be ascertained and quantified.	
12	<p>Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence 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. Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallisation 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.</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 financial statements of the Company.</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA.D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operators and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt.</p> <p>In view of above the impact is not assessable.</p>
13	Other current assets include claim of Income tax refund for F.Y. 1999-2000 of Rs. 101.54 crores arising from pending appeal effect / rectification	Instructions are already issued for reconciliation and also for audit review. Cases is taken up with tax department and decision is expected soon and on the basis of decision only any action can



	<p>under Section 154 of Income Tax Act, 1961 by income tax department. This includes tax amount of Rs. 60.30 crores and interest accrued thereon amounting to Rs. 41.24 crores. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.</p>	<p>be taken In view of above the impact is not assessable.</p>
<p>14</p>	<p>The balances appearing in the advance tax/income tax receivable / tax deducted at source / interest on income tax and provisions for taxes are subject to reconciliation with the tax records. Pending reconciliations we are not in a position to comment on the correctness of the same and consequential impact of the same on the financial statements of the Company</p>	<p>The reconciliation of liability spread over from 2006-07 to 2012-13 is under process and is expected to be completed at the earliest and on completion of reconciliation the liability not required to be maintained, if any, will be adjusted . In view of above the impact is not assessable.</p>
<p>15</p>	<p>In Delhi Unit there is no laid down process / system to reconcile the service tax liability with the total revenue or with the debtors or under reverse charge mechanism. In addition there is no reconciliation process with respect to service tax payment or of outstanding service tax recoverable. In the absence of any such working / reconciliation, we are not in a position to comment on the correctness of the service tax liability / service tax recoverable and the consequent impact thereof on the financial statements of the Company.</p>	<p>Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.</p>
<p>16</p>	<p>Pending identification and details of the assets lost/destroyed by fire/theft in earlier years against which insurance claims amounting to Rs. 24.52 crores have been lodged in</p>	<p>Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.</p>

  
 उप महा प्रबन्धक (लेखा)/Dy. Gen. Manager (Accounts)  
 म० ट० लि० लि०, निगम कार्यालय/MTNL Corporate Office  
 चौथी मंजिल, महानगर दूरसंचार सदन






	Mumbai Unit, the same continue to appear in the schedule of Fixed Assets under the head Gross Block, Accumulated Depreciation and Net Block. In the absence of details of such assets, we are not in a position to comment on the impact there of on the financial statements of the Company	
17	In respect of fixed assets of Delhi Unit and Corporate Office, depreciation charged is not fully in line with the requirements of Schedule II to the Companies Act, 2013. In the absence of required details, we are not in a position to comment on impact there of on the financial statements of the Company.	Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.

**Notes:**

- 1) All above said qualifications are Qualified Opinion.
- 2) Qualifications No. 1 to 14 are of repetitive nature and 15 to 17 are for the first time.
- 3) For audit qualifications where the impact is not quantified by the auditors, the auditors have no further comment to make as required by para II (e) (i) & (ii).

  
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 9, C.G.O. Complex, Lodhi Road, New Delhi-110003

  
 प्रवीण कुमार पुरवार / PRAVIN KUMAR PURWAR  
 निदेशक (वित्त)/ Director (Finance)  
 म.ट.नि.लि. निगम कार्यालय / M.T.N.L. Corporate Office  
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 9, C.G.O. Complex, Lodhi Road, New Delhi-110003

For MEHRA GOEL & CO.  
 Chartered Accountants  
 FRN No : 000517N

  
 Partner

For V.K. DHINGRA & CO.  
 CHARTERED ACCOUNTANTS



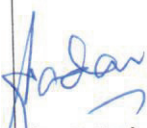


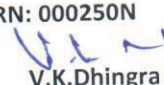



## ANNEXURE I

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

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

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

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016**  
**[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016**

I.	SLNO	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	3979.23	3979.23
	2.	Total Expenditure	6477.22	6617.58
	3.	Net Profit/(Loss)	(2005.74)	(2146.10)
	4.	Earnings Per Share	(31.84)	(34.07)
	5.	Total Assets	26091.83	26218.40
	6.	Total Liabilities	26091.83	26218.40
	7.	Net Worth	12.60	(127.76)
	8.	Any other financial item(s) (as felt appropriate by the management)	Tax adjustment for earlier years Rs. 492.26 crs reduced the loss after tax.	
II.	<b>Audit Qualification (each audit qualification separately):</b> a. <b>Details of Audit Qualification: Attached</b> b. <b>Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion</b> c. <b>Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: 3 items of qualification are of 1<sup>st</sup> time and 14 items of qualifications are repetitive.</b> d. <b>For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: As per attached extract</b> e. <b>For Audit Qualification(s) where the impact is not quantified by the auditor</b> (i) <b>Management's estimation on the impact of audit qualification: Not Assessable</b> (ii) <b>If management is unable to estimate the impact, reasons for the same: Attached</b> (iii) <b>Auditors' Comments on (i) or (ii) above:</b>			
III.	<b>Signatories:</b> <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;">             (N. K. Yadav)            CMD         </div> <div style="text-align: center;">             (P. K. Purwar)            Director(Finance)         </div> <div style="text-align: center;">             Rakesh Nangia            Audit Committee Chairman         </div> <div style="text-align: center;">           For V.K. Dhingra &amp; Co.            Chartered Accountants            FRN: 000250N              V.K.Dhingra            Partner            M.No. 014467         </div> <div style="text-align: center;">           For Mehra Goel &amp; Co            Chartered Accountants            FRN000517N              R.K.Mehra            Partner            M.No. 006102         </div> </div> <div style="text-align: center; margin-top: 20px;">    </div>			
	Place: New Delhi Date: 30 <sup>th</sup> May, 2016			



MTNL Audit Qualifications on Consolidated Financial Statements of 2015-16

Sr. No.	Qualification	Management Estimation /Views/Reasons for being unable to estimate the impact.
1	<p>The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3098.39 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 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. In addition the matter has been taken up with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books for the year 2015-16. The claims pertaining to 2013-14 &amp; some of the claims of 2014-15 have been mutually settled already and the process of settlement under DOT guidance has commenced. As such the issue of settlement is under progress.</p> <p>In view of above the impact is not assessable.</p>
2	<p>The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 8059.67 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 financial statements of the Company</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the recoverable amount of Rs 8109.09 crores includes the GPF (RS 1946.56 Crs), Excess pension paid from 1-10 2000 (Rs1179.36 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.7659.89 crores identified and acknowledged for settlement. In addition to the reply of management requests made to DOT, for reconciliation and confirmation of balance claims also shown by MTNL in the books for the year 2015-16.</p> <p>In view of above the impact is not assessable.</p>



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 9, C.G.O. Complex, Lodhi Road, New Delhi-110003





3	<p>Upto 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 upto financial year 2011-12 by way of contingent liability of Rs. 140.36 crores instead of actual liability resulting in under statement of current liabilities and under statement 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 with BSNL. 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.</p>
4	<p>The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Accounting Standard -10 "Accounting for Fixed Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014, the same results into overstatement of capital work in progress/ fixed assets and under statement of loss. The actual impact of the same on the financial statements for year is not ascertained and quantified.</p>	<p>As regards the allocation of over heads in line with AS-10, 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 MTNL has already appointed a consultant to get the old policy reviewed and on receipt of his final report necessary further action will be taken to bring it more aligned to the company act 2013 related rules and also AS-10. As regards the allocation of overhead MTNL has already appointed an M/s Rawla &amp; Co. Chartered Accountant as consultant for advising the more scientific policy on allocation of overheads which is expected to be completed in the current financial year . In view of above the impact is not assessable.</p>



5	<p>Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to AS-28 "Impairment of Assets" specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules 2014. 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 31.3.2016 there is no impairment loss and there are also no specific indicators of such loss. Occurrences of losses is although an indicator for impairment testing in case of assets, but in the present case the loss is on account of legacy issue viz. 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. The testing is being done at the end of each year and there is no impairment according to the company's understanding.</p> <p>In view of above the impact is not assessable.</p>
6	<p>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 financial statements is 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 not needed for them. Since the payables and receivables are settled as stated above and the same is a continuous process, there is no impact otherwise and wherever necessary adjustments are also made. Although no specific confirmation is taken all the bills issued by company show outstanding including details of such outstanding old bills to subscriber as part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate debtors/receivables. As regards payables the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arise as it is as per</p>



		<p>contractual obligations. In view of above the impact is not assessable.</p>
7	<p>Dues from the operators are not taken into account for making provision for doubtful debts. Also in respect of Delhi Unit, no provision for doubtful debts is made for disputed cases outstanding for less than one year in Basic and for less than 180 days in GSM/CDMA. In the absence of any working, the impact thereof on the financial statements cannot be ascertained and quantified.</p>	<p>The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic/GSM/CDMA has been done as per the policy. The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses. In view of above the impact is not assessable..</p>
8	<p>(a) In Delhi 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 financial statements cannot be ascertained and quantified at present</p> <p>(b) Unlinked credit of Rs. 13.79 crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated.</p>	<p>(a)The reconciliation is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process. In view of above the impact is not assessable.</p> <p>(b)The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time.</p>






9	<p>In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the financial statements cannot be ascertained and quantified.</p>	<p>Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit.</p> <p>In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time at Delhi unit. While Mumbai unit has already completed it. As such there is no such possibility for quantification and on materiality aspect also there is no issue.</p> <p>In view of above the impact is not assessable.</p>
10	<p>Fixed assets are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the fixed assets 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 fixed assets capitalised in the balance sheet cannot be ascertained</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 reduced to Rs.102.02 crs as at 31-3-16 compared to Rs. 133.48 crs as at 31-3-15.</p> <p>In view of above the impact is not assessable.</p>
11	<p>Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant</p>	<p>The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification.</p> <p>In view of above the impact is not assessable.</p>



	records, impact of such classification on the financial statements cannot be ascertained and quantified.	
12	<p>Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence 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. Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallisation 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.</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 financial statements of the Company.</p>	<p>Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA.D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM. The issue is under litigation in respect of other operators and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt.</p> <p>In view of above the impact is not assessable.</p>
13	Other current assets include claim of Income tax refund for F.Y. 1999-2000 of Rs. 101.54 crores arising from pending appeal effect / rectification	Instructions are already issued for reconciliation and also for audit review. Cases is taken up with tax department and decision is expected soon and on the basis of decision only any action can



	<p>under Section 154 of Income Tax Act, 1961 by income tax department. This includes tax amount of Rs. 60.30 crores and interest accrued thereon amounting to Rs. 41.24 crores. In the absence of complete records, we are not in a position to comment on the correctness and recoverability of the same and consequential impact on the financial statements of the Company.</p>	<p>be taken In view of above the impact is not assessable.</p>
14	<p>The balances appearing in the advance tax/income tax receivable / tax deducted at source / interest on income tax and provisions for taxes are subject to reconciliation with the tax records. Pending reconciliations we are not in a position to comment on the correctness of the same and consequential impact of the same on the financial statements of the Company</p>	<p>The reconciliation of liability spread over from 2006-07 to 2012-13 is under process and is expected to be completed at the earliest and on completion of reconciliation the liability not required to be maintained, if any, will be adjusted . In view of above the impact is not assessable.</p>
15	<p>In Delhi Unit there is no laid down process / system to reconcile the service tax liability with the total revenue or with the debtors or under reverse charge mechanism. In addition there is no reconciliation process with respect to service tax payment or of outstanding service tax recoverable. In the absence of any such working / reconciliation, we are not in a position to comment on the correctness of the service tax liability / service tax recoverable and the consequent impact thereof on the financial statements of the Company.</p>	<p>Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.</p>
16	<p>Pending identification and details of the assets lost/destroyed by fire/theft in earlier years against which insurance claims amounting to Rs. 24.52 crores have been lodged in</p>	<p>Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.</p>

	Mumbai Unit, the same continue to appear in the schedule of Fixed Assets under the head Gross Block, Accumulated Depreciation and Net Block. In the absence of details of such assets, we are not in a position to comment on the impact there of on the financial statements of the Company	
17	In respect of fixed assets of Delhi Unit and Corporate Office, depreciation charged is not fully in line with the requirements of Schedule II to the Companies Act, 2013. In the absence of required details, we are not in a position to comment on impact there of on the financial statements of the Company.	Qualifications discussed in the in Audit Committee and the management was directed to settle the issue with in three month time and put up the status in next audit committee meeting. In view of above the impact is not assessable.

**Notes:**

- 1) All above said qualifications are Qualified Opinion.
- 2) Qualifications No. 1 to 14 are of repetitive nature and 15 to 17 are for the first time.
- 3) For audit qualifications where the impact is not quantified by the auditors, the auditors have no further comment to make as required by para II (e) (i) & (ii).

  
 उप महा प्रबन्धक (लेखा)/Dy. Gen. Manager (Accounts)  
 म० टे० नि० लि०, निगम कार्यालय/MTNL Corporate Office  
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For MEHRA GOEL & CO.  
 Chartered Accountants  
 FRN No : 000517N

  
 Partner

For V.K. DHINGRA & CO.  
 CHARTERED ACCOUNTANTS





ANNEXURE I

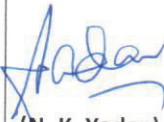



**MAHANAGAR TELEPHONE NIGAM LIMITED**  
( A Govt. of India Enterprise)

Corporate & Registered Office : Mahanagar Doorsanchar Sadan, 5th Floor, 9, CGO Complex, Lodhi Road, New Delhi-110003

CIN No: L32101DL1986GOI023501

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

**Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2016**  
**[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2016**

I.	SLNO	Particulars	Audited Figures (as reported before adjusting for qualifications)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	4087.87	4087.87
	2.	Total Expenditure	6590.92	6731.28
	3.	Net Profit/(Loss)	(2012.24)	(2152.60)
	4.	Earnings Per Share	(31.94)	(34.17)
	5.	Total Assets	26150.76	26277.33
	6.	Total Liabilities	26150.76	26277.33
	7.	Net Worth	19.15	(121.21)
	8.	Any other financial item(s) (as felt appropriate by the management)	Tax expenses includes adjustment for earlier years Rs. 492.26 crores that reduced the loss after tax.	
II.	<b>Audit Qualification (each audit qualification separately):</b>			
	f. Details of Audit Qualification: <i>Attached</i>			
	g. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	h. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing : <i>3 items of qualification are of 1<sup>st</sup> time and 14 items of qualifications are repetitive.</i>			
	i. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: <i>As per attached extract</i>			
	j. For Audit Qualification(s) where the impact is not quantified by the auditor			
	(i) Management's estimation on the impact of audit qualification: <i>Not Assessable</i>			
	(ii) If management is unable to estimate the impact, reasons for the same: <i>Attached</i>			
	(iii) Auditors' Comments on (i) or (ii) above:			
III.	<b>Signatories:</b>			
	  (N. K. Yadav) (P. K. Purwar) CMD Director(Finance)		For V.K. Dhingra & Co. Chartered Accountants FRN: 000250N  V.K.Dhingra Partner M.No. 014467	
	Rakesh Nangia Audit Committee Chairman		For Mehra Goel & Co Chartered Accountants FRN000517N  R.K.Mehra Partner M.No. 006102	
	Place: New Delhi			
	Date: 30 <sup>th</sup> May, 2016			

