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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Standalone Ind-AS Financial Statements

We have audited the accompanying standalone Ind-AS financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED**, ("the Company'), which comprise the Balance Sheet as at 31st March, 2018, and the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Ind-AS Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind-AS financial statements that give a true and fair view of the State of Affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind-AS) prescribed under Section 133 of the Act.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities, selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that are operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind-AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind-AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing Standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

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We conducted our audit of the standalone Ind-AS financial statements in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind-AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the standalone Ind-AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind-AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind-AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind-AS financial statements.

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

Basis for Qualified Opinion

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 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 standalone Ind-AS financial statements of the Company have been prepared on a going concern basis keeping in view the majority stake of the Government of India and accompanying management note. (Also refer note no. 76 to the standalone Ind-AS financial statements)

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

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 63 to the standalone Ind-AS financial statements)

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

c) 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. 115.61 Crores has not been carried forward or ineligible credits amounting to Rs. 50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

d) The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,465.41 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the standalone Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the standalone Ind-AS financial statements).

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 58 to the standalone Ind-AS financial statements).

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(v) The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the standalone Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the standalone Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 70 to the standalone Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the standalone Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 65 to the standalone Ind-AS financial statements).

(viii) Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the standalone Ind-AS financial statements cannot be ascertained and quantified. (Also refer clause no. (k) of note no. 3 to the standalone Ind-AS financial statements).

(ix) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on standalone Ind-AS financial statements cannot be ascertained and quantified at present.

(b) Unlinked credit of Rs. 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 64 and 75 to the standalone Ind-AS financial statements).

(x) 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

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(xi) 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.

(xii) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

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

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the standalone Ind-AS financial statements of the Company. (Also refer note no. 57 to the standalone Ind-AS financial statements).

(xiii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 77 to the standalone Ind-AS financial statements).

(xiv) During the year, the Company has booked an income amounting to Rs. 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the standalone Ind-AS financial statements. (Also refer note no. 78 to the standalone Ind-AS financial statements).

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In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) on the standalone Ind-AS financial statements of the Company for the year ended on 31st March 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the aforesaid standalone Ind-AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Indian Accounting Standards (Ind-AS), of the state of affairs (financial position) of the Company as at 31st March, 2018 and its loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Emphasis of Matters

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

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

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

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

(iv) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no. 15 to the standalone Ind-AS financial statements).

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

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

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

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

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

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

Our opinion is not modified in respect of these matters.

Report on Other Legal and Regulatory Requirements

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

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

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

   (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit except for the matters described in point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis of Qualified Opinion given above;

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(b) In our opinion proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books except for our comments under the head 'Basis for Qualified Opinion' stated above;

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

(d) In our opinion and based on our comments in point nos. (i), (ii)(c), (iv), (v), (vi), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis for Qualified Opinion given above, the aforesaid standalone Ind-AS financial statements comply with the Indian Accounting Standards prescribed under Section 133 of the Act except for Ind-As – 1 regarding Presentation of Financial Statements, Ind-AS – 16 regarding Property, Plant and Equipment, Ind-AS – 17 regarding Leases, Ind-AS – 18 regarding Revenue, Ind-AS – 36 regarding Impairment of Assets and Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets;

(e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, government companies are exempt from the applicability of Section 164 (2) of the Act;

(f) With respect to the adequacy of internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in **"Annexure C":**

(g) The qualification relating to the maintenance of accounts and other matters connected therewith are as stated in the Basis for Qualified Opinion paragraph above.

(h) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;

   i. the Company has disclosed the impact of pending litigations, wherever quantifiable, on its financial position in its standalone Ind-AS financial statements. Refer note no. 48 to the standalone Ind-AS financial statements.

   ii. the Company is not required to make any provision for any material foreseeable losses, as required under applicable laws or accounting standards, on long terms contracts. Also the Company is not dealing into derivatives contracts. Refer note no. 74 to the standalone Ind-AS financial statements.

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iii. There were no amounts which were required to be transferred to the Investor, Education and Protection Fund. Refer note No. 73 to the standalone Ind-AS financial statements.

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

(Nikhil Agrawal)
Partner
Membership No.: 419806

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

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure to the Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March, 2018.

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

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

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

(b) As per the accounting policy of the Company, fixed assets are required to be physically verified by the management on rotation basis, once in three years, which in our opinion is reasonable and adequate in relation to the size of the Company and the nature of its business. As certified by the management, Office Machinery and Equipments, Leased Premises and Cables were physically verified in accordance with programme of verification by the management during the year and no material discrepancies were noticed on such verification. The accuracy, reliability and completeness of the fixed assets verification procedure could not be verified by us.

(c) Title deeds of most of the immovable properties recorded in the books of the Company are not held in the name of the Company. Details of such properties are given hereunder:

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

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In respect of Delhi Units:

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

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

In respect of Mumbai Units:

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

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

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

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

(ii) In respect of Delhi Units:

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

In respect of Mumbai Units:

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

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

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(iii) The Company has not granted any secured or unsecured loans to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Thus, paragraph 3(iii) of the Order is not applicable

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

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

(vi) As per information and explanation given to us, Company is required to maintain the cost records under Section 148(1) of the Companies Act 2013. As explained the Company has not yet maintained the required cost records for year 2017-18.

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

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, value added tax, cess or other statutory dues were in arrears as at 31st March 2018 for a period of more than six months from the date they became payable except in respect of the following:

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

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

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

In respect of Delhi Units:

i. Sales Tax:

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

ii. Service Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Finance Act, 1994	8.45	2005-06	Commissioner of Central Excise and Service Tax
Finance Act, 1994	22.13	2006-08	Custom Excise and Service Tax Appellate Tribunal
Finance Act, 1994	0.08	2000-03	Commissioner of Central Excise and Service Tax
Finance Act, 1994	0.71	2008-12	Commissioner of Central Excise and Service Tax
TOTAL	**31.37**		

iii. Labour Cess:

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

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In respect of Mumbai Basic Units

i.Income Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Income Tax Act, 1961	1.03	2000-08	Hon'ble Supreme Court of India
TOTAL	**1.03**		

Sales Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Bombay Sales Tax Act, 1959	0.17	1993-94	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	5.27	1996-97	Hon'ble High Court of Bombay
Bombay Sales Tax Act, 1959	351.85	1997-98	Hon'ble Supreme Court of India
Bombay Sales Tax Act, 1959	216.01	2003-04	Maharashtra Sales Tax Tribunal, Mumbai
Bombay Sales Tax Act, 1959	101.32	2004-05	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	14.97	2009-10	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	6.11	2011-12	Joint Commissioner of Sales Tax, Mumbai
Bombay Sales Tax Act, 1959	26.47	2012-13	Joint Commissioner of Sales Tax, Mumbai
TOTAL	**722.16**		

Luxury Tax:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.64	2007-08	Joint Commissioner of Sales Tax (Appeal) - IV, Mumbai
Luxury Tax Act, 1987	1.11	2008-09	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai

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Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Luxury Tax Act, 1987	0.26	2009-10	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.51	2010-11	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	0.93	2011-12	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
Luxury Tax Act, 1987	2.17	2012-13	Joint Commissioner of Sales Tax (Appeal) – IV, Mumbai
TOTAL	**5.63**		

ii. Service Tax:

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

<u>In respect of Mumbai MS Unit:</u>

Central Excise:

Name of the Statute	Amount (Rs. in Cr.) (Net)	Period to which amount relates	Forum where the dispute is pending
Central Excise Act, 1944	0.29	2004-05	Commissioner of Central Excise
Central Excise Act, 1944	0.32	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	0.53	2013-14	Commissioner of Central Excise
Central Excise Act, 1944	0.11	2006-07	Commissioner of Central Excise
Central Excise Act, 1944	2.73	2005-06	Commissioner of Central Excise
Total	**3.62**		

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

In respect of Corporate Office:

Income Tax:

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

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

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

(x) Based on audit procedures applied and according to the information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit for the year ended on 31st March 2018.

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

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

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

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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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

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

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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Nikhil Agrawal

(Nikhil Agrawal)
Partner
Membership No.: 419806

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

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure - B

Annexure To The Independent Auditors' Report

Referred to in our Independent Auditors' Report of even date to the members of Mahanagar Telephone Nigam Limited on the Standalone Ind-AS Financial Statements for the year ended 31st March 2018.

Directions indicating the areas to be examined by the Statutory Auditors during the course of audit of annual accounts of **Mahanagar Telephone Nigam Limited** (Standalone) for the year 2017-18 issued by the Comptroller & Auditor General of India under section 143(5) of the Companies Act, 2013.

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

Sr. No.	Areas Examined	Observation / Finding
1	Whether the company has clear title/lease deeds for freehold and leasehold respectively? If not please state the area of freehold and leasehold land for which title/lease deeds are not available.	The Company does not have clear title/lease deeds in a number of cases. Summarized position of such cases is as under : **DELHI UNIT** The Company does not have clear title deeds in respect of 1 land property at Minto Road, Delhi and classified as freehold. Also Company does not have any lease deed in respect of 89 cases of land properties spread across Delhi and classified as Leasehold. **MUMBAI UNIT** The Company does not have clear title deeds in respect of 23 cases of land properties spread across Mumbai and classified as freehold. Also, Company does not have lease deeds in respect of 12 cases of land properties spread across Mumbai and classified as Leasehold.

MEHRA GOEL & CO.
NEW DELHI
CHARTERED ACCOUNTANTS

<table>
<tr><td rowspan="5">2</td><td rowspan="5">Please report whether there are any cases of waiver / write off of debts / loans / interest etc. if, yes, the reason therefore and the amount involved.</td><td colspan="2">The details of cases of waiver / write off of debts / loans / interest by the Company during the year are as under:</td></tr>
<tr><td>Particulars</td><td>(Rs. in Crores)</td></tr>
<tr><td>Write off of debts Due to non recoverability</td><td>22.73</td></tr>
<tr><td>Waiver of penalty & interest</td><td>Nil</td></tr>
<tr><td>TOTAL</td><td>22.73</td></tr>
<tr><td>3</td><td>Whether proper records are maintained for inventories lying with third parties & assets received as gift from Govt. or other authorities.</td><td colspan="2">a. There are no inventories lying with third parties.

b. The Company has not received any assets as gifts from Government or other authorities during the year.</td></tr>
<tr><td>4</td><td>Amount of Revenue Share (License Fee and Spectrum Usage Charges) appearing in the Financial Statements should be thoroughly checked for its correctness.</td><td colspan="2">The details have been verified by us.</td></tr>
</table>

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

(Nikhil Agrawal)
Partner
Membership No.: 419806

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

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure - C

Annexure to The Independent Auditors' Report

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

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

We have audited the internal financial controls over financial reporting of **Mahanagar Telephone Nigam Limited** ("the Company") as of 31st March 2018 in conjunction with our audit of the standalone Ind-AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

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

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

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

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Company's internal financial controls over financial reporting as at March 31, 2018:

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

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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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

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

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

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

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

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

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

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

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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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

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

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Company has maintained, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 standalone Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the standalone Ind-AS financial statements of the Company.

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

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No.: 419806

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

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF
MAHANAGAR TELEPHONE NIGAM LIMITED

Report on the Consolidated Ind-AS Financial Statements

We have audited the accompanying consolidated Ind-AS financial statements of **MAHANAGAR TELEPHONE NIGAM LIMITED** (hereinafter referred to as "the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") its associates and its jointly controlled entities, comprising of the consolidated Balance Sheet as at March 31, 2018, the consolidated Statements of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flows Statement and consolidated Statements of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information (hereinafter referred as "the consolidated Ind-AS Financial Statement").

Management's Responsibility for the Consolidated Ind-AS financial statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind-AS financial statements in terms of requirements of the Companies Act, 2013 (hereinafter referred to as "the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance (including other comprehensive income), consolidated cash flows and consolidated statement of changes in equity of the Group including its associates and jointly controlled entities in accordance with accounting principles generally accepted in India; including the Indian Accounting Standards prescribed under section 133 of the Act.

The respective Board of Directors of the companies included in the Group and of its associates and jointly controlled entities are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and of its associates and its jointly controlled entities and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind-AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of consolidated Ind-AS financial statements by the Directors of the Holding Company, as aforesaid.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind-AS financial statements based on our audit. While conducting the audit we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated Ind-AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind-AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of consolidated Ind-AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Holding Company's preparation of the consolidated Ind-AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind-AS financial statements.

We believe that the audit evidence obtained by us and audit evidence obtained by the other auditors in terms of their reports referred to in sub paragraph (a) of the other matter paragraph below, is sufficient and appropriate to provide a basis for our qualified audit opinion on the consolidated Ind-AS financial statements.

Basis for Qualified Opinion

We draw your attention to the following qualifications on consolidated Ind-AS financial statements being qualifications of the Holding Company requiring basis of qualified opinion by us:

(i) The Net Worth of the Company has been fully eroded; The Company has incurred net cash loss during the current year ended March 31, 2018 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. (Also refer note no. 81 to the consolidated Ind-AS financial statements)

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

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

a) The Company has certain balances receivables from and payables to Bharat Sanchar Nigam Limited (BSNL). The net amount recoverable of Rs. 3,387.15 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 68 to the consolidated Ind-AS financial statements)

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

c) 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. 115.61 Crores has not been carried forward or ineligible credits amounting to Rs. 50.26 Crores excessively carried forward to TRANS-1 under GST laws resulting in overstatement of current assets and understatement of loss to that extent.

d) The Company has recognized Income and Expenditure arising on account of revenue sharing with BSNL excluding of Service Tax and Goods and Service Tax (GST) where the demand note/invoices are raised to and received from BSNL inclusive of the aforesaid taxes but the accounting treatment of the aforesaid taxes are being recognized by the Company at the time of settlement with BSNL. In the absence of any information/working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(iii) The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 6,465.41 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the consolidated Ind-AS financial statements of the Company. (Also refer point no. (a) of note no. 73 to the consolidated Ind-AS financial statements).

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(iv) Up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period up to financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent. (Also refer note no. 63 to the consolidated Ind-AS financial statements).

(v) The Company continues to allocate the overheads towards capital works in a manner which is not in line with the accepted accounting practices and Indian Accounting Standard – 16 "Property, Plant and Equipment" prescribed under Section 133 of the Act, the same results into overstatement of capital work in progress/ property, plant and equipment and understatement of loss. The actual impact of the same on the consolidated Ind-AS financial statements for year is not ascertained and quantified. (Also refer note no. 36 and 39 to the consolidated Ind-AS financial statements).

(vi) Except for the impairment loss of assets of CDMA units provided in earlier years, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 "Impairment of Assets" prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units. (Also refer note no. 75 to the consolidated Ind-AS financial statements).

(vii) The Company does not follow a system of obtaining confirmations and performing reconciliation of balances in respect of amount receivables from trade receivables, deposits with Government Departments and others, claim recoverable from operators and others parties and amount payables to trade payables, claim payable to operators, and amount payable to other parties. Accordingly, amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the consolidated Ind-AS financial statements are not ascertainable and quantifiable. (Also refer note no. 70 to the consolidated Ind-AS financial statements).

(viii) Dues from the Operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the consolidated Ind-AS financial statements cannot be ascertained and quantified.

(ix) (a) In Delhi Wireless Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on consolidated Ind-AS financial statements cannot be ascertained and quantified at present.

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(b) Unlinked credit of Rs. 37.68 Crores on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables is appearing as liabilities in the balance sheet. To that extent, trade receivables and current liabilities are overstated. (Also refer note no. 69 and 80 to the consolidated Ind-AS financial statements).

(x) 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.

(xi) 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.

(xii) Department of Telecommunication (DOT) had raised a demand of Rs. 3313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of license already elapsed and also for the remaining valid period of license including spectrum given on trial basis.

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

Also as explained, pending finality of the issue by the Company regarding surrender of a part of the spectrum, crystallization of issue by the DOT in view of the claim being contested by the Company and because of the matter being sub-judice in the Apex Court on account of dispute by other private operators on the similar demands, the amount payable, if any, is indeterminate. Accordingly, no liability has been created for the demand made by DOT on this account and Rs. 3205.71 Crores has been disclosed as contingent liability.

In view of the above we are not in a position to comment on the correctness of the stand taken by the Company and the ultimate implications of the same on the consolidated Ind-AS financial statements of the Company. (Also refer note no. 62 to the consolidated Ind-AS financial statements).

(xiii) In Mumbai Unit, the Company has been awarded a long duration contract from Larsen & Turbro (L&T) for design, development, implementation & Maintenance of CCTV based surveillance system for Mumbai City. The Company has not recognized profit/loss on the basis of percentage of completion method of accounting as prescribed under Indian Accounting Standard (Ind-AS) – 18 on "Revenue". In the absence of any working/detail, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 82 to the consolidated Ind-AS financial statements).

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(xiv) During the year, the Company has booked an income amounting to Rs. 136.74 Crores as Other Income on account of difference between the estimated amounts of Pension Payout Orders (PPO), accounted for in the past years pertaining to Delhi Units and actual arrived on completion of issuance of PPO's by the Department of Telecommunication (DOT), Government of India (GOI). Similar effect of the same in respect of Mumbai Units has not been given during the year ended 31st March, 2018 due to non-finalization of the actual reports by the Company. In the absence of relevant records, we are not in a position to comment on the impact thereof on the consolidated Ind-AS financial statements. (Also refer note no. 83 to the consolidated Ind-AS financial statements).

In the absence of information, the effect of which can't be quantified, we are unable to comment on the possible impact of the items stated in the point nos. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) on the consolidated Ind-AS financial statements of the Company for the year ended on 31st March 2018.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of reports of other auditors on separate financial statements and on the other financial information of the subsidiaries, associates and jointly controlled entities, the aforesaid consolidated Ind-AS financial statements give the information required by the Act in the manner so required and except for the effects of the matter referred to in the basis for Qualified Opinion paragraph above, give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs (financial position) of the Group, its associates and jointly controlled entities as at 31st march, 2018, and their consolidated loss (financial performance including other comprehensive income), their consolidated cash flows and consolidated statement of changes in equity for the year ended on that date.

Emphasis of Matters

We draw attention to the following matters on the consolidated Ind-AS financial statements being matters pertaining to Holding Company requiring emphasis by us:

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

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

(iii) Classification of trade receivables as unsecured without considering the security deposit which the Company has received from the subscribers. (Also refer note no. 16 to the consolidated Ind-AS financial statements).

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

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

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

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

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

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

Our opinion is not modified in respect of these matters.

Other Matters

(a) We did not audit the financial statements of one subsidiary and one jointly controlled entity, whose financial statements reflect total assets of Rs. 12.55 Crores and net assets of Rs. 4.62 Crores as at 31st March, 2018, total revenues of Rs. 6.99 Crores and net cash inflows amounting to Rs. 4.11 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net profit of Rs. 0.84 Crores for the year ended 31st March, 2018, as considered in the consolidated Ind-AS financial statements, in respect of one jointly controlled entity, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and jointly controlled entity,

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and our report in terms of sub section (3) of Section 143 of the Act, insofar as it relates to the aforesaid subsidiary and jointly controlled entity, is based solely on the reports of the other auditors.

(b) We did not audit the financial statements / financial information of subsidiary and associate whose financial statements / financial information reflect total assets of Rs. 168.11 Crores and net assets of Rs. 19.59 Crores as at 31st March, 2018, total revenue of Rs. 96.50 Crores and net cash inflows amounting to Rs. 7.21 Crores for the year ended on that date, as considered in the consolidated Ind-AS financial statements. The consolidated Ind-AS financial statements also include the Group's share of net loss of Rs. 16.50 Crores for the year ended 31st March, 2018, as considered in the consolidated Ind-AS financial statements, in respect of one associate, whose financial statements / financial information have not been audited by us. These financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated Ind-AS financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiary and associate, and our report in terms of sub-section (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary and associate, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements / financial information are not material to the Group.

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

Report on Other Legal and Regulatory Requirements

As required by Section 143(3) of the Act, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, associates and jointly controlled entities, as noted in the 'other matter' paragraph, we report, to the extent applicable, that:

(a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated Ind-AS financial statements, except for the possible effect of matter described in points no. (i), (ii)(a), (ii)(b), (ii)(d), (iii), (v), (vi), (vii), (viii), (ix)(a), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis of Qualified Opinion given above.

(b) In our opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph above, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind-AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

(c) The consolidated Balance Sheet, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated Cash Flows Statement and consolidated Statement of Change in Equity dealt with by this Report are in agreement with relevant books of account maintained for the purpose of preparation of the consolidated Ind-AS financial statements.

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(d) In our opinion and based on our comments in point no. (i), (ii)(c), (iv), (v), (vi), (x), (xi), (xii), (xiii), and (xiv) of the paragraph on Basis for Qualified Opinion given above, the aforesaid consolidated Ind-AS financial statements comply with the Indian Accounting Standards specified under Section 133 of the Act except for Ind-As – 1 regarding Presentation of Financial Statements, Ind-AS – 16 regarding Property, Plant and Equipment, Ind-AS – 17 regarding Leases, Ind-AS – 18 regarding Revenue, Ind-AS – 36 regarding Impairment of Assets and Ind-AS 37 on Provisions, Contingent Liabilities and Contingent Assets;

(e) In view of the Government notification No. GSR 463 (E) dated 5th June 2015, Government Companies are exempt from the applicability of sub-section 2 of Section 164 of the Act.

(f) With respect to the adequacy of internal financial controls over financial reporting of the Holding Company, its subsidiary company and jointly controlled entities incorporated in India and the operating effectiveness of such controls, refer to our separate report in **"Annexure A".**

(g) With respect to the other matters to be included in the Auditors Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the report of the other auditors on separate financial statements as also the other financial information of the subsidiaries, associates and jointly controlled entities, as noted in the 'Other matter' paragraph:

i. The consolidated Ind-AS financial statements have disclosed the impact of pending litigations, wherever quantifiable, on the consolidated financial position of the Group, its associates and jointly controlled entities. Refer Note no. 52 to the consolidated Ind-AS financial statements.

ii. The Group, its associates and its jointly controlled entities are not required to make any provision for any material foreseeable losses under any law or accounting standards on long terms contracts. Also the Group, its associates and its jointly controlled entities are not dealing into derivatives contracts. Refer Note no. 79 to the consolidated Ind-AS financial statements.

iii. there are no amounts which are required to be transferred to the Investor, Education and Protection Fund by the Holding Company and its subsidiary company, and jointly controlled entities incorporated in India during the year ended 31st March, 2018. Refer Note No. 78 to the consolidated Ind-AS financial statements.

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

Nikhil Agrawal

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No.: 419806

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

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018

Annexure - 'A' to the Independent Auditor's Report

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

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

In conjunction with our audit of the consolidated Ind-AS financial statements of the Company as of and for the year ended 31st March, 2018, we have audited the internal financial controls over financial reporting of **Mahanagar Telephone Nigam Limited** (hereinafter referred to as "the Holding Company") and its subsidiary company and jointly controlled company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's

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judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

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

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

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

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Qualified Opinion

According to the information and explanations given to us and based on our audit, the following material weaknesses have been identified in the operating effectiveness of the Holding Company's internal financial controls over financial reporting as at 31st March, 2018:

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

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

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

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

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

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

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

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

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

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

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

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

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

In our opinion, except for the effects / possible effects of the material weaknesses described above on the achievement of the objectives of the control criteria, the Holding Company, its Subsidiary Company and its jointly controlled company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as of March 31, 2018, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

We have considered the material weaknesses identified and reported above in determining the nature, timing, and extent of audit tests applied in our audit of the March 31, 2018 consolidated Ind-AS financial statements of the Company, and these material weaknesses do not affect our opinion on the consolidated Ind-AS financial statements of the Company.

Other Matters

Our report under section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to one subsidiary company and one jointly controlled companies, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

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

Nikhil Agrawal

MEHRA GOEL & CO. NEW DELHI CHARTERED ACCOUNTANTS

(Nikhil Agrawal)
Partner
Membership No.: 419806

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

Roopa Garg

(Roopa Garg)
Partner
Membership No.: 500677

Place: New Delhi
Date: 30th May, 2018