



**MAHANAGAR TELEPHONE NIGAM LIMITED**  
(A GOVERNMENT OF INDIA ENTERPRISE)  
CIN L32101DL1986GOI023501

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

**MTNL/SECTT/SE/2024**  
**September 06<sup>th</sup>, 2024**

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

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

**SUB: COMPLIANCE OF REGULATION 30 OF SEBI (LODR), 2015- DISCLOSURE OF EVENTS OR INFORMATION – RATING AND PRESS RELEASE GIVEN TO MTNL BY M/S CARE RATINGS LIMITED - reg**

Dear Sir,

In compliance of Regulation 30 of SEBI (LODR), 2015, this is to inform you that M/s CARE Ratings Limited vide its Letter No. CARE/NRO/RL/2024-25/1918 dtd. 05.09.2024 and CARE/NRO/RL/2024-25/1958 dtd. 05.09.2024 respectively has given its Report on Rating on Bonds Issue and Bank Facilities of MTNL including Draft Press Release. Copy of aforesaid Letter and Draft Press release is attached herewith”.

Kindly take the same on record.

Thanking You

Yours Faithfully,

**RATAN MANI SUMIT**  
**COMPANY SECRETARY**

**Shri Sultan Ahmed**  
**Chief Financial Officer**  
**Mahanagar Telephone Nigam Limited**  
Room No. 4520, Mahanagar Doorsanchar Sadan, 4th Floor,  
9, CGO Complex, Lodhi Road,  
New Delhi  
Delhi 110003



September 05, 2024

**Confidential**

Dear Sir,

**Credit rating for Bonds issue**

On the basis of recent developments including operational and financial performance of your Company for FY24 (A) and Q1FY25 (UA) and successive reoccurrence of non-adherence of timelines specified in the structured payment mechanism in funding the designated escrow account by Government of India, following the invocation of the Government Guarantee by the Debenture Trustee and the possible impact of the same on the credit profile of your company, our Rating Committee has reviewed the following ratings:

Sr. No.	Instrument	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
1.	Bonds	3,668.97 (Reduced from 3,768.97)	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE) ; Continues to be on Rating Watch with Negative Implications
2.	Bonds	6,500.00	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE) ; Continues to be on Rating Watch with Negative Implications
3.	Bonds	10,910.00	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE) ; Continues to be on Rating Watch with Negative Implications
4.	Bonds	6,661.00	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE) ; Continues to be on Rating Watch with Negative Implications

Note: All instruments mentioned above are Non-Convertible Bonds in the nature of Debentures.

<b>Unsupported rating</b>	<b>CARE D [Reaffirmed]</b>
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Note: Unsupported rating does not factor in the explicit credit enhancement.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

**CARE Ratings Limited**

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Phone: +91-22-6754 3456 • [www.careedge.in](http://www.careedge.in)

CIN-L67190MH1993PLC071691

2. [The bonds are repayable as per Annexure-I.]
3. The above rating is based on the credit enhancement in the form of unconditional and irrevocable Guarantee from the Government of India. The Guarantee is operating through a trustee-administered structured payment mechanism for the timely transfer of required funds for repayment of the principal and interest to the designated account.
4. [CARE Ratings Ltd. will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear. ]
5. [The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which will be shared in some time for your perusal as **Annexure 2**. On receipt of the same, we request you to peruse the document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. ]
6. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
7. CARE Ratings Ltd. reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE Ratings Ltd. warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE Ratings Ltd. so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE Ratings Ltd. shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE Ratings Ltd. shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.
8. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
9. Users of this rating may kindly refer our website [www.careedge.in](http://www.careedge.in) for latest update on the outstanding rating.
10. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.



### **CARE Ratings Limited**

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**CIN-L67190MH1993PLC071691**

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



**Monika .**  
Analyst  
[monika@careedge.in](mailto:monika@careedge.in)



**Prasanna Krishnan Lakshmi Kumar**  
Associate Director  
[prasanna.krishnan@careedge.in](mailto:prasanna.krishnan@careedge.in)

Encl.: As above

Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.



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**Annexure 1**  
**Details of rated NCDs/Bonds issue**

<b>Name of the Instrument</b>	<b>ISIN</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (₹ crore)</b>
Bonds	INE153A08048	19-11-2014	8.24%	19-11-2024	3,668.97
	INE153A08063	19-11-2014	8.24%	19-11-2024	
	INE153A08071	28-11-2014	8.29%	28-11-2024	
Bonds	INE153A08089	12-10-2020	7.05%	11-10-2030	6,500.00
	INE153A08097	21-12-2020	6.85%	20-12-2030	
Bonds	INE153A08105	15-11-2022	8.00%	15-11-2032	10,910.00
	INE153A08113	01-12-2022	7.87%	01-12-2032	
	INE153A08121	10-02-2023	7.78%	10-02-2033	
	INE153A08139	24-02-2023	7.80%	24-02-2033	
	INE153A08147	24-03-2023	7.75%	24-03-2033	
Bonds	INE153A08154	20-07-2023	7.59%	20-07-2033	6,661.00
	INE153A08162	24-08-2023	7.61%	24-08-2033	
	INE153A08170	07-11-2023	7.80%	07-11-2033	
	INE153A08188	06-03-2024	7.51%	06-03-2034	

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No. CARE/NRO/RL/2024-25/1958

**Shri Sultan Ahmed**  
**Chief Financial Officer**  
**Mahanagar Telephone Nigam Limited**  
Room No. 4520, Mahanagar Doorsanchar Sadan, 4th Floor,  
9, CGO Complex, Lodhi Road,  
New Delhi  
Delhi 110003



September 05, 2024

**Confidential**

Dear Sir,

**Credit rating for bank facilities**

On the basis of recent developments including operational and financial performance of your Company for FY24 (A) and Q1FY25 (UA), our Rating Committee has reviewed the following ratings:

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	2,803.81	CARE D (Single D)	Reaffirmed
Long Term / Short Term Bank Facilities	3,500.00	CARE D / CARE D (Single D / Single D)	Reaffirmed
Short Term Bank Facilities	5,335.10	CARE D (Single D)	Reaffirmed

2. Refer **Annexure 1** for details of rated facilities. []

3. [The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which will be shared in some time for your perusal as **Annexure 2**. On receipt of the same, we request you to peruse the document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. ]

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications.

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4. CARE Ratings Ltd. reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.
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6. Our ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.
7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.
8. Users of this rating may kindly refer our website [www.careedge.in](http://www.careedge.in) for latest update on the outstanding rating.
9. CARE Ratings Ltd. ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,



**Monika .**  
Analyst  
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**Prasanna Krishnan Lakshmi Kumar**  
Associate Director  
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Encl.: As above



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Disclaimer

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## Annexure 1

### Details of Rated Facilities

#### 1. Long Term Facilities

##### 1.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Union Bank of India	1,198.36
2.	Bank of India	534.68
3.	State Bank of India	314.15
4.	UCO Bank	282.76
5.	Punjab National Bank	254.78
6.	Punjab & Sind Bank	219.08
	<b>Total</b>	<b>2,803.81</b>

**Total Long Term Facilities : Rs.2,803.81 crore**

#### 2. Short Term Facilities

##### 2.A. Term Loans

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	IndusInd Bank Ltd.	3.00
	<b>Total</b>	<b>3.00</b>

##### 2.B. Fund Based Limits

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Indian Overseas Bank	2,300.00
2.	Union Bank of India	2,250.00
3.	Bank of India	500.00
4.	Punjab National Bank	200.00
5.	ICICI Bank Ltd.	2.00
6.	IndusInd Bank Ltd.	2.00
7.	Bank of Baroda	0.10
	<b>Total</b>	<b>5,254.10</b>

##### 2.C. Non-Fund Based Limits

#### CARE Ratings Limited

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Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	ICICI Bank Ltd.	78.00
	<b>Total</b>	<b>78.00</b>

**Total Short Term Facilities : Rs.5,335.10 crore**

### **3. Long Term / Short Term Facilities**

#### **3.A. Term Loans**

Sr. No.	Name of Bank / Lender	Rated Amount (Rs. crore)
1.	Proposed	3,500.00
	<b>Total</b>	<b>3,500.00</b>

**Total Long Term / Short Term Facilities : Rs.3,500.00 crore**

**Total Facilities (1.A+2.A+2.B+2.C+3.A) : Rs.11,638.91 crore**

*P*

#### **CARE Ratings Limited**

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**Annexure-II**  
**Draft Press Release**  
**Mahanagar Telephone Nigam Limited**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Bonds <sup>@</sup>	3,668.97 (Reduced from 3,768.97)	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE); Continues to be on Rating Watch with Negative Implications
Bonds <sup>@</sup>	6,500.00	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE); Continues to be on Rating Watch with Negative Implications
Bonds <sup>@</sup>	10,910.00	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE); Continues to be on Rating Watch with Negative Implications
Bonds <sup>@</sup>	6,661.00	CARE AA+ (CE) (RWN)	Revised from CARE AAA (CE); Continues to be on Rating Watch with Negative Implications
Long Term Bank Facilities	2,803.81	CARE D	Reaffirmed
Long Term / Short Term Bank Facilities	3,500.00	CARE D / CARE D	Reaffirmed
Short Term Bank Facilities	5,335.10	CARE D	Reaffirmed

Details of instruments/facilities in Annexure-1.

Note: All rated instruments are non-convertible bonds in the nature of debentures.

<sup>@</sup>Backed by credit enhancement in the form of an unconditional and irrevocable guarantee from the Government of India, through the Department of Telecommunications, Ministry of Communications

<b>Unsupported rating</b>	<b>CARE D [Reaffirmed]</b>
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Note: Unsupported rating does not factor in the explicit credit enhancement.

### Rationale and key rating drivers for credit enhanced debt

Ratings assigned to long term debt instruments [bonds issue] of Mahanagar Telephone Nigam Limited (MTNL) principally rely on credit enhancement (CE) in the form of an unconditional and irrevocable pre-default guarantee from the Government of India (GoI), through the Department of Telecommunications (DoT), Ministry of Communications (MoC). Additionally, the rating takes comfort from the presence of structured payment mechanism (SPM) monitored by a third-party trustee.

The aforementioned ratings have been downgraded due to successive instances observed in non-adherence of trustee administrated structured payment mechanism (SPM) towards funding the designated escrow account for ISINs INE153A08139, INE153A08162 and INE153A08188. In accordance with the Structured Payment Mechanism (SPM) outlined in the tri-partite agreement among MTNL, the Department of Telecommunications (DoT), and the Debenture Trustee (DT), MTNL is obligated to deposit sufficient funds for semi-annual interest and/or principal obligations into the designated escrow account 10 calendar days (T-10) prior to the due date. Subsequently, the Debenture Trustee (DT), following the timelines specified in the SPM, issues a 'Notice of Invocation of Guarantee' to the Government of India (GoI). According to the SPM, the GoI is required to fund the designated escrow account with the necessary amount three days (T-3) before the due date for the specified ISINs. It has been observed that pursuant to the issuance of the 'Notice of Invocation of Guarantee' by the DT for the aforementioned series for semi-annual interest payments, the timeline for the receipt of funds in the escrow account as per the SPM was not adhered to, and funds were received with 1 to 2 days delay. This was also confirmed by the DT through email to CARE Ratings Limited (CARE Ratings) besides company's disclosure to the stock exchange.

Additionally, one of the lenders i.e. Union Bank of India (UBI), has frozen all the transaction bank accounts of MTNL, including the collection and current account, w.e.f. August 12, 2024 as the loan account slipped into Non-Performing Account (NPA) category. CARE Ratings notes that the escrow account for the purpose of SG-backed bond servicing is presently being maintained with a separate lender i.e. Bank of India (BoI) and classified as Special Mention Account-II (SMA-II). While the company's management has articulated that the efforts to resolve this are underway, yet any similar unfavourable action by the escrow lender, despite release of adequate funds from the Government of India (GoI) to meet these obligations, shall adversely impact the timely servicing of guaranteed debt which is viewed critically from a credit perspective. Hence the long-term ratings continue to be on watch with negative implications.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

Going forward, CARE Ratings, shall continue to monitor the developments concerning operating status of escrow account and adherence to structured payment mechanism on entire bond issuances of MTNL besides the above mentioned ISINs. RWN will be resolved basis emergence of clarity on the operating status of the escrow account along with the sustained compliance to the payment structure.

Additionally, in line with CARE Ratings withdrawal policy, the rating assigned to the SG Bond issue (INE153A08055) of MTNL aggregating Rs. 100 crore, has been withdrawn with immediate effect, as the company has repaid the SG Bond issue in full and there is no amount outstanding under the issue as on November 18, 2023.

### **Rationale and key rating drivers of MTNL**

Reaffirmation of ratings assigned to bank facilities of MTNL factors ongoing delays in debt servicing obligations towards bank borrowings due to continued paucity of funds at the company's end. Additionally, ratings factor slow progress in the revival package plan related to asset monetisation, heavy interest burden, high human resource costs amidst a highly competitive industry.

### **Rating sensitivities: Factors likely to lead to rating actions**

#### **For credit enhanced debt**

##### **Positive factors**

- Track record of adherence to trustee-administered SPM by CE provider on a sustained basis.

##### **Negative factors**

- Non-adherence to trustee-administered SPM by CE provider in the transaction, triggering adverse action/event of default.
- Delayed funding of the requisite Bond servicing account.
- Dilution in support philosophy by GoI towards MTNL.

#### **For standalone ratings**

##### **Positive factors**

- Sustained improvement in financial and business performance of the company.
- Track record of timely debt servicing for a continuous period of at least three months.

##### **Negative factors**

Not applicable

#### **Analytical approach:**

**Credit enhanced ratings:** CE in the form of an unconditional and irrevocable guarantee from GoI, through DoT, MoC, operating through a trustee-administered structured payment mechanism for timely transfer of required funds for repayment of principal and interest to a designated account.

**Unsupported/Standalone ratings:** Standalone

**Outlook for credit enhanced rating:** Not applicable

**Outlook for standalone rating:** Not applicable

#### **Detailed description of key rating drivers:**

##### **Key strengths**

##### **Majority ownership of GoI**

MTNL is one of the two state-owned telecom service providers in India, alongside Bharat Sanchar Nigam Limited [BSNL, rated 'CARE AAA (CE); Stable']. GoI holds majority stake in MTNL (56.25% as on March 31, 2024), and the balance is held by the public. The company enjoys a 'Navratna Status' that gives greater autonomy to central public sector enterprises (CPSEs) in their investment and capital expenditure (capex) decisions. Such a status also aims at facilitating expansion of its operations in domestic and global markets.

##### **Sovereign guarantee on debt instruments with a trustee-administered structured payment mechanism**

The company's debt instruments are backed by unconditional and irrevocable guarantee for the servicing of entire issue (principal amount and accrued interest), throughout the tenure of instruments, from GoI through DoT, MoC. Trustee-administered

structured payment mechanism is in place to ensure timely payment of interest and principal obligations of bond/NCD issues through a tripartite agreement between MTNL, trustee, and GoI, through DoT, MoC. Trustee will facilitate timely servicing of MTNL's obligations by DoT, in case MTNL does not have sufficient funds to do so.

The following is the structured payment mechanism for the bond issue of size ₹3,768.97 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing, regarding due date of payment of interest and/or principal amount, so that necessary arrangements can be made for meeting interest payment or repayment of obligations on the instrument.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by GoI to the tune of interest/principal obligations on bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day as above, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-1) <sup>st</sup> day*	The last date by which GoI is to deposit requisite funds in the designated trust and retention account per the Notice of Invocation.

\*T being the due date for payment of interest/repayment of principal. In the event that the mentioned day is not a business day, it will be taken to indicate the next business day.

The following is the structured payment mechanism for the bond issue of ₹6,500 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing, regarding due date of payment of interest and/or principal amount, so that necessary arrangements can be made for meeting interest payment/principal repayment obligations on the bond.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of interest/principal obligations on bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-3) <sup>rd</sup> day*	The last date by which GoI is to deposit requisite funds in the designated trust and retention account per the Notice of Invocation served by trustees.

\*T being the due date for payment of interest/repayment of principal. In the event that the mentioned day is not a business day, it will be taken to indicate the next business day.

The following is the structured payment mechanism for the bond issue of ₹10,910 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing, regarding due date for payment of interest amount, so that necessary arrangements can be made for meeting interest payment obligations on bonds.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to tune of interest obligations on bonds.
(T-8) <sup>th</sup> day*	If designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-3) <sup>rd</sup> day*	The last date by which GoI shall deposit requisite funds in the designated trust and retention account per the Notice of Invocation served by trustees.

\*T being the due date for payment of interest/repayment of principal. In the event that the mentioned day is not a business day, it will be taken to indicate the next business day.

The following is the structured payment mechanism for the bond issue of ₹6,661 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing regarding due date for payment of interest amount, so that necessary arrangements can be made for meeting interest payment obligations on bonds.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of interest obligations on bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-3) <sup>rd</sup> day*	The last date by which GoI shall deposit requisite funds in the designated trust and retention account per the Notice of Invocation served by trustees.

\*T being the due date for payment of interest/repayment of principal. In the event that the mentioned day is not a business day, it will be taken to indicate the next business day.

## **Support from GoI, notwithstanding slow progress on asset monetisation**

In October 2019, keeping in mind MTNL's legacy and strategic importance, GoI announced revival plan for MTNL and BSNL and continued to support the company's funding requirements through issuance of LoC. To make public sector units (PSUs) financially viable, the Union Cabinet approved second revival plan for BSNL and MTNL (the telcos) amounting to ₹1.64 lakh crore on July 27, 2022. Revival plan is aimed at upgrading services, rolling out 4G services, augmenting the telecom network, and de-stressing balance sheets.

Following schemes are approved by the Union Cabinet for telcos:

- **Allotment of spectrum administratively:** Telcos will be allotted a spectrum administratively in the 900/1,800 MHz band (renewal of spectrum for 20 years) amounting to ₹44,993 crore through equity infusion. However, there have been delays in the rollout of 4G services due to 4G import restrictions (per GoI's 'Atmanirbhar' scheme).
- **Financial support for capex:** To meet projected capex for the next four years of deploying Atmanirbhar 4G technology stack, GoI will fund a capex of ₹22,471 crore. This will be infused through equity into BSNL and includes projected capex requirements of ₹1,851 crore for MTNL as well.
- **Viability gap funding (VGF):** A consideration of ₹13,789 crore for commercially unviable rural wire-line operations done in FY14 to FY20 was provided by GoI in three tranches in FY23. Proceeds were utilised for prepayment of high-cost debt.
- **Debt structuring:** Sovereign guarantee is to be provided for raising long-term bonds amounting to ₹40,399 crore, which will be utilised for restructuring high-cost debt.
- **Financial support for AGR dues:** AGR dues amounting to ₹33,404 crore to be settled by conversion into equity.

As BSNL is handling MTNL's operations, fund infusion per revival package has taken place in BSNL, which is managing combined capex for the telcos. Progress on monetisation of MTNL's certain identified land assets has also been slow, which has since been transferred from the Department of Investment and Public Asset Management (DIPAM) to the Department of Public Enterprise (DPE).

## **Key weaknesses**

### **Non-adherence to structured payment mechanism**

Semi-annual interest payment for ISIN INE153A08188 is due on September 06, 2024. In accordance with SPM recorded in tripartite agreement executed among MTNL, DoT and DT, MTNL is required to fund semi-annual interest and/or principal obligation in the designated escrow account with adequate amount 10 calendar days (T-10th) before the due date (i.e. by August 27, 2024). On MTNL's failure to do so, on August 29, 2024, Debenture Trustee (DT), adhering to specified timelines outlined in SPM, issued a 'Notice of Invocation of Guarantee' to GoI. Per SPM, GoI was required to fund designated escrow account with the necessary amount by September 03, 2024, which is three days (T-3<sup>rd</sup>) before the due date. However, the funds were received in the designated account on September 04, 2024 (i.e. with a 1-day delay), which was also confirmed by DT based on the stock exchange disclosure made by MTNL dated September 04, 2024. Similarly, in the past for the ISINs INE153A08139 and INE153A08162, the funds were received in the designated account on August 23, 2024 against the T-3 day timeline (i.e. August 21, 2024) post issuance of 'Notice of Invocation of Guarantee' to GoI. CARE Ratings notes, there have been successive instances of non-adherence to SPM, which is critically viewed from credit perspective.

### **Ongoing delays in bank debt servicing**

There are ongoing delays by MTNL in servicing its debt obligations for bank loan facilities which are not covered under guaranteed debt by GoI. The total default amount (interest plus principal) stands at Rs 518.81 crore as of September 05, 2024. Delay is primarily due to paucity of funds considering insufficient cash generation from operations and delay in timely support from GoI to address existing poor liquidity position.

Additionally, one of the lenders i.e. Union Bank of India (UBI), has frozen all the transaction bank accounts of MTNL, including the collection and current account, w.e.f. August 12, 2024 as the loan account slipped into Non-Performing Account (NPA) category. CARE Ratings notes that the escrow account for the purpose of SG-backed bond servicing is presently being maintained with a separate lender i.e. Bank of India (BoI) and classified as Special Mention Account-II (SMA-II). While the company's management has articulated that the efforts to resolve this are underway, yet any similar unfavourable action by the escrow lender, despite release of adequate funds from the Government of India (GoI) to meet these obligations, shall adversely impact the timely servicing of guaranteed debt which is viewed critically from a credit perspective.

### **Higher-than-industry average human resource cost**

MTNL has a large employee base, and staff costs absorb a high percentage of the company's revenue. MTNL's staff cost was about ₹570 crore in FY24 (PY: ₹545 crore), which is ~78% of its revenue from operations in FY24 (~63% in FY23). Although

there has been a significant decrease in employee costs post the successful implementation of VRS, it continues to remain over 5x the industry average. Overstaffing is a major risk faced by the company and this cost in case of other operators is ~5%-7% of the total operating income (TOI). This is due to legacy issues, which are likely to remain going forward.

### Competitive Industry

The outlook of Indian telecom sector is expected to be stable, supported by an increasing rural penetration, growth in broadband subscribers and roll-out of 5G services, which will lead to improvement in average revenue per user (ARPU). The government has also taken major reforms to address structural, process reforms, and liquidity issues of the telecom industry, which will provide requisite cashflows to support growth. In September 2021, GoI announced major reforms for the telecom sector to address liquidity of telecom service providers (TSPs), encourage investment, and promote healthy competition in the industry. Other structural and procedural reforms announced by GoI related to no requirement of bank guarantees (BGs) for spectrum bidding has also improved telco companies' liquidity position.

### Liquidity: Poor

As of July 31, 2024, the company's liquidity profile remains poor due to almost full utilisation of sanctioned overdraft limits and insufficient cash flow generation from operations to meet debt obligations.

### Assumptions/Covenants

Not applicable

### Environment, social, and governance (ESG) risks

<b>Environmental</b>	The company has policies in place, complying with prudent governance practices; however, the company's auditors have provided a qualified opinion on its internal financial control, which is of significance for credit assessment. The company also publishes a Business Responsibility Report (BRR) in compliance with SEBI (LODR) Regulation, 2015, Regulation 34 (2). MTNL's wireless services (WS) complies with relevant guidelines regarding electromagnetic radiation from base transceiver station (BTS) towers issued by DoT, GoI, and TRAI. The company also carries out energy auditing of its buildings, which resulted in reduction of energy consumption considerably.
<b>Social</b>	
<b>Governance</b>	

### Applicable criteria

- [Definition of Default](#)
- [Liquidity Analysis of Non-financial sector entities](#)
- [Rating Outlook and Rating Watch](#)
- [Mobile Service Provider](#)
- [Financial Ratios – Non financial Sector](#)
- [Infrastructure Sector Ratings](#)
- [Short Term Instruments](#)
- [Rating Credit Enhanced Debt](#)
- [Withdrawal Policy](#)

### Adequacy of CE structure:

Bonds and NCDs are backed by CE in the form of an unconditional and irrevocable guarantee from GoI, through DoT, and MoC.

### About the CE Provider

Government of India has extended the absolute, unconditional, and irrevocable pre-default guarantee for timely servicing of the rated bonds.

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Telecommunication	Telecommunication	Telecom - Services	Telecom - Cellular & Fixed line services

MTNL was incorporated by GoI in 1986 to upgrade the quality of telecom services, expanding telecom network, and introducing new services for India's key metros, Delhi and Mumbai. MTNL was given the 'Navratna' status in 1997 and was listed on the New York Stock Exchange in 2001. MTNL provides a host of telecom services that include fixed telephone service, GSM, Internet, Broadband, ISDN, and leased line services. MTNL has been the first to launch some of the latest telecom technologies such as

ADSL2+ and VDSL2 in broadband, IPTV on MPEG4 technology, VOIP and 3G mobile service in the country. MTNL also provides telecommunication services beyond Indian boundaries through its joint ventures (JV) and subsidiaries. MTNL is present in Nepal through its JV, United Telecom Limited (UTL), and in Mauritius through its 100% subsidiary, Mahanagar Telephone Mauritius Limited (MTML). However, after obtaining unified license for all 22 circles in India, MTNL's business operations are being handled by BSNL as its outsourced agency, since September 01, 2021.

**Standalone:**

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	Q1FY25 (UA)
Total operating income	890.42	728.47	169.40
PBILDT	-421.21	-529.64	-110.68
PAT	-2,910.73	-3,302.18	-771.82
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited UA: Unaudited NM: Not meaningful; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:**

Not applicable

**Any other information:**

Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Bonds	INE153A08048	19-11-2014	8.24%	19-11-2024	3,668.97	CARE AA+ (CE) (RWN)
	INE153A08063	19-11-2014	8.24%	19-11-2024		
	INE153A08071	28-11-2014	8.29%	28-11-2024		
Bonds	INE153A08089	12-10-2020	7.05%	11-10-2030	6,500.00	CARE AA+ (CE) (RWN)
	INE153A08097	21-12-2020	6.85%	20-12-2030		
Bonds	INE153A08105	15-11-2022	8.00%	15-11-2032	10,910.00	CARE AA+ (CE) (RWN)
	INE153A08113	01-12-2022	7.87%	01-12-2032		
	INE153A08121	10-02-2023	7.78%	10-02-2033		
	INE153A08139	24-02-2023	7.80%	24-02-2033		
Bonds	INE153A08147	24-03-2023	7.75%	24-03-2033	6,661.00	CARE AA+ (CE) (RWN)
	INE153A08154	20-07-2023	7.59%	20-07-2033		
	INE153A08162	24-08-2023	7.61%	24-08-2033		
	INE153A08170	07-11-2023	7.80%	07-11-2033		
INE153A08188	06-03-2024	7.51%	06-03-2034			
Fund-based - ST-Bank overdraft		-	-	-	5,254.10	CARE D
Non-fund-based - ST-BG/LC		-	-	-	78.00	CARE D
Term loan-Long term		-	-	31-12-2028	2,803.81	CARE D
Term loan-LT/ST		-	-	Proposed	3,500.00	CARE D / CARE D
Term loan-Short term		-	-	02-07-2023	3.00	CARE D
Unsupported rating-		-	-	-	0.00	CARE D



Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Unsupported rating (Long term)						

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (26-Jun-24) 2)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22) 3)CARE AAA (CE); Stable (02-Sep-22)	1)CARE AAA (CE); Stable (07-Oct-21)
2	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (26-Jun-24) 2)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22) 3)CARE AAA (CE); Stable (02-Sep-22)	1)CARE AAA (CE); Stable (07-Oct-21)
3	Bonds	LT	3668.97	CARE AA+ (CE) (RWN)	1)CARE AAA (CE) (RWN) (23-Aug-24) 2)CARE AAA (CE); Stable (03-Jul-24)	1)CARE AAA (CE); Stable (07-Nov-23)	1)CARE AAA (CE); Stable (03-Nov-22)	1)CARE AAA (CE); Stable (07-Oct-21)

					3)CARE AAA (CE); Stable (26-Jun-24) 4)CARE AAA (CE); Stable (18-Jun-24)	2)CARE AAA (CE); Stable (18-Jul-23)	2)CARE AAA (CE); Stable (28-Oct-22) 3)CARE AAA (CE); Stable (02-Sep-22)	
4	Term Loan-Long Term	LT	2803.81	CARE D	1)CARE D (23-Aug-24) 2)CARE D (03-Jul-24) 3)CARE B; Negative (26-Jun-24) 4)CARE BB-; Negative (18-Jun-24)	1)CARE BB+; Stable (07-Nov-23) 2)CARE BB+; Stable (18-Jul-23)	1)CARE BB+; Stable (03-Nov-22) 2)CARE BB+; Stable (28-Oct-22) 3)CARE D (02-Sep-22)	1)CARE AA+ (CE); Stable (07-Oct-21)
5	Term Loan-Short Term	ST	3.00	CARE D	1)CARE D (23-Aug-24) 2)CARE D (03-Jul-24) 3)CARE A4 (26-Jun-24) 4)CARE A4 (18-Jun-24)	1)CARE A4+ (07-Nov-23) 2)CARE A4+ (18-Jul-23)	1)CARE A4+ (03-Nov-22) 2)CARE A4+ (28-Oct-22) 3)CARE D (02-Sep-22)	1)CARE A1+ (CE) (07-Oct-21)
6	Fund-based - ST-Bank Overdraft	ST	5254.10	CARE D	1)CARE D (23-Aug-24) 2)CARE D (03-Jul-24) 3)CARE A4 (26-Jun-24) 4)CARE A4 (18-Jun-24)	1)CARE A4+ (07-Nov-23) 2)CARE A4+ (18-Jul-23)	1)CARE A4+ (03-Nov-22) 2)CARE A4+ (28-Oct-22) 3)CARE D (02-Sep-22)	1)CARE A1+ (CE) (07-Oct-21)
7	Term Loan-LT/ST	LT/ST	3500.00	CARE D / CARE D	1)CARE D / CARE D (23-Aug-24)	1)CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+	1)CARE AA+ (CE); Stable /

					2)CARE D / CARE D (03-Jul-24) 3)CARE B; Negative / CARE A4 (26-Jun-24) 4)CARE BB-; Negative / CARE A4 (18-Jun-24)	(07-Nov-23) 2)CARE BB+; Stable / CARE A4+ (18-Jul-23)	(03-Nov-22) 2)CARE BB+; Stable / CARE A4+ (28-Oct-22) 3)CARE D (02-Sep-22)	CARE A1+ (CE) (07-Oct-21)
8	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE D	1)CARE D (23-Aug-24) 2)CARE D (03-Jul-24) 3)CARE B (26-Jun-24) 4)CARE BB- (18-Jun-24)	1)CARE BB+ (07-Nov-23) 2)CARE BB+ (18-Jul-23)	1)CARE BB+ (03-Nov-22) 2)CARE BB+ / CARE A4+ (28-Oct-22) 3)CARE D (02-Sep-22)	1)CARE BBB / CARE A3 (07-Oct-21)
9	Bonds	LT	6500.00	CARE AA+ (CE) (RWN)	1)CARE AAA (CE) (RWN) (23-Aug-24) 2)CARE AAA (CE); Stable (03-Jul-24) 3)CARE AAA (CE); Stable (26-Jun-24) 4)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22) 3)CARE AAA (CE); Stable (02-Sep-22)	1)CARE AAA (CE); Stable (07-Oct-21)
10	Non-fund-based - ST-BG/LC	ST	78.00	CARE D	1)CARE D (23-Aug-24) 2)CARE D (03-Jul-24) 3)CARE A4 (26-Jun-24) 4)CARE A4 (18-Jun-24)	1)CARE A4+ (07-Nov-23) 2)CARE A4+ (18-Jul-23)	1)CARE A4+ (03-Nov-22) 2)CARE A4+ (28-Oct-22) 3)CARE D	1)CARE A1+ (CE) (07-Oct-21)

							(02-Sep-22)	
11	Bonds	LT	10910.00	CARE AA+ (CE) (RWN)	1)CARE AAA (CE) (RWN) (23-Aug-24) 2)CARE AAA (CE); Stable (03-Jul-24) 3)CARE AAA (CE); Stable (26-Jun-24) 4)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22)	-
12	Bonds	LT	6661.00	CARE AA+ (CE) (RWN)	1)CARE AAA (CE) (RWN) (23-Aug-24) 2)CARE AAA (CE); Stable (03-Jul-24) 3)CARE AAA (CE); Stable (26-Jun-24) 4)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	-	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

### Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Name of the Instrument		Detailed Explanation
<b>A. Financial covenants</b>		Not available
<b>B. Non-financial covenants</b>		
I. The company shall ensure that debentures continue to be listed on the wholesale debt market segment of BSE.		
II. The company shall comply with all requirements under SEBI Monitoring Circulars, SEBI Due Diligence Circulars and SEBI DLT Monitoring Circular and provide all documents/information as may be required in accordance with SEBI Monitoring Circulars and SEBI Due Diligence Circulars.		
III. GoI would only cover principal amount and normal interest.		
IV. Guarantees would not be transferrable to agency without prior approval of the budget division, Department of Economic Affairs, Ministry of Finance. In case of default, lending agency shall invoke the guarantee within a time limit not exceeding 60 days of the default. In case the guarantee is not invoked within the stipulated period, the guarantee would cease to exist for that portion of the tranche/loan/liability for which guarantee has not been invoked.		
V. Trustee-monitored payment mechanism to be followed as stated below: The following is the structured payment mechanism for the bond issue of size ₹3,768.97 crore (fully subscribed):		
<b>Trigger Date</b>	<b>Action Point</b>	
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing regarding the due date of the payment of interest and/or principal amount, so that necessary arrangements can be made for meeting the interest payment or repayment of obligations on the instrument.	
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by GoI to the tune of the interest/principal obligations on bonds.	

(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day as above, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-1) <sup>st</sup> day*	The last date by which GoI is to deposit requisite funds in the designated trust and retention account per the Notice of Invocation.

\*T being the due date for payment of interest/repayment of principal. In the event of the mentioned day not being a business day, it will be taken to indicate the next business day.

The following is the structured payment mechanism for the bond issue of ₹6,500 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing regarding the due date of the payment of interest and/or principal amount, so that necessary arrangements can be made for meeting the interest payment/principal repayment obligations on the bond.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of the interest/principal obligations on the bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-3) <sup>rd</sup> day*	The last date by which GoI is to deposit requisite funds in the designated trust and retention account per the Notice of Invocation served by the trustees.

\*T being the due date for payment of interest/repayment of principal. In the event of mentioned day not being a business day, it will be taken to indicate the next business day.

The following is the structured payment mechanism for the bond issue of ₹10,910 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing regarding the due date for payment of interest amount, so that necessary arrangements can be made for meeting the interest payment obligations on the bonds.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of the interest obligations on the bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-3) <sup>rd</sup> day*	The last date by which GoI shall deposit requisite funds in the designated trust and retention account per the Notice of Invocation served by trustees.

\*T being the due date for payment of interest/repayment of principal. In the event of mentioned day not being a business day, it will be taken to indicate the next business day.

The following is the structured payment mechanism for the bond issue of ₹6,661 crore (fully subscribed):

Trigger Date	Action Point
(T-30) <sup>th</sup> day*	Trustees to inform MTNL and GoI in writing regarding the due date for payment of interest amount, so that necessary arrangements can be made for meeting the interest payment obligations on the bonds.
(T-10) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of the interest obligations on the bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, trustees shall forthwith invoke GoI guarantee by sending a Notice of Invocation to GoI.
(T-3) <sup>rd</sup> day*	The last date by which GoI shall deposit requisite funds in the designated trust and retention account per the Notice of Invocation served by trustees.

\*T being the due date for payment of interest/repayment of principal. In the event of the mentioned day not being a business day, it will be taken to indicate the next business day.

#### Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Term Loan-Long Term	Simple
5	Term Loan-LT/ST	Simple
6	Term Loan-Short Term	Simple
7	Un Supported Rating-Un Supported Rating (Long Term)	Simple

## **Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

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