

Para 4.1 (b)

1.1 CHAPTER-I: PARTICULARS OF ORGANISATION, ITS FUNCTIONS AND DUTIES

About MTNL:

MTNL was set up on **1st April, 1986** by the Government of India to upgrade the quality of telecom services, expand the telecom network, introduce new services and to raise revenue for telecom development needs of India's key metros - **Delhi**, the political capital and **Mumbai**, the business capital of India. In the past 22 years, the company has taken rapid strides to emerge as India's leading and one of Asia's largest telecom operating companies. Besides having a strong financial base, MTNL has achieved a customer base of **5.92 million** as on 31st March 2006.

The company has also been in the forefront of technology induction by converting 100% of its telephone exchange network into the state-of-the-art digital mode.

The Govt. of India currently holds **56.25%** stake in the company.

Administrative Ministry

Govt. of India, Ministry of Communication and Information Technology, Department of Telecommunications.

Mission

To remain market leader in providing world class Telecom and IT related services at affordable prices and to become a global player.

Corporate Objectives

- To expand customer base and services.
- To provide latest technology and services to the customers, at affordable prices.
- To achieve the highest level of customer satisfaction and delight.
- To diversify in other areas for providing telecom services at national and international levels.
- To provide convergence of Telecom, Information Technology and related services.
- To improve productivity by training and redeployment of manpower.
- To work for social benefits.

History of the Company:

Brief History of MTNL is available at : <http://mtnl.in/history.htm>
<http://mtnl.in/history.htm>

Board of Directors

Board of Directors of MTNL – Pl. visit to : <http://mtnl.in/directors.htm>

Corporate Governance

MTNL has been following the principles of Corporate Governance. As it is understood, the principles and Corporate Governance deals with laws, procedures, practices and implicit rules that determine a company's ability to take informed managerial decisions vis-à-vis its stake holders, in particular its shareholders, creditors, customers, the state and employees.

The major constituents/components of Corporate Governance include :

- 1) Constitution of the Board of Directors.
- 2) Key information that are being reported to and are placed before the Board of Directors.
- 3) Proper functioning of Audit Committee.
- 4) Transparency and desirable disclosures by the company.

At present, MTNL Board comprises of four non-executive Directors, apart from three full time Directors viz. Director (Tech), Director (Fin) & Director (HR) and two ex-officio Directors on Board. There are two Govt. nominees on the Board. The meetings of the Board are held regularly, as per the agenda and their importance. Besides regular Board Meeting, emergency Board meetings are held as and when required. The information, which are reported to and placed before the Board includes: -

- 1) Annual Plans, revenue, capital budgets, manpower and over-head budgets and manpower requirements.
- 2) Quarterly results of the company as a whole and its operating divisions.
- 3) Internal audit reports.

There is a separate Internal Audit group formed & functioning in the company under whose jurisdiction member of independent Chartered Accountants Firms are appointed by the company to carry out audit of various departments of the company both in Delhi & Mumbai as well as Corporate Office.

Apart from the internal audit, the company is also subjected to Govt. Audits and other audits/examination by Parliamentary Committees. Company has to report its monthly, quarterly and yearly achievements in terms of financial and physical parameters to DoT and Department of Public Enterprises (DPE).

Hence, it can be seen that the company functions in a most transparent manner. Two most important claimants to any company are creditors and shareholders and the Corporate Governance and good corporate practice must satisfy both these claimants. In this regard, MTNL, a debt free company, has a unique distinction of

servicing its shareholders. The company has evolved its own “Insider Trading Code” as per SEBI Rules & Regulations.

CORPORATE GOVERNANCE PRACTICES/STANDARDS

Vigilance Organization

Vigilance in any organization is a managerial function and an integral part of Executives. It ensures that the decisions taken by the officials are in the best interests of the Company. MTNL Vigilance Organization is the nodal agency for handling all vigilance matters of Mahanagar Telephone Nigam Limited. The functions of vigilance in MTNL are to conduct preventive checks, to investigate the complaints from various sources viz. CVC, DOT, MPs/MLAs, VIPs, NGOs, customers, suppliers/vendors, contractors, associations of employees and public etc. Vigilance also advises system improvements where-ever necessary to improve the administrative functioning of MTNL. Vigilance organisation arranges vigilance awareness programmes from time to time.

The vigilance organisation works in close coordination with the Vigilance Directorate of the Ministry of Communication & Information Technology and the Central Vigilance Commission.

Vision Vision for Tomorrow

- Become a total solution provider company and to provide world class telecom services at affordable prices.
- Become a global telecom company and to find a place in the 'Fortune 500' companies.
- Become the largest provider of private networks and leased lines.
- Venture into other areas in India and abroad on the strength of our core competency.

Finance

About Financial details of the Company like Financial Operations, Disinvestments / Global Depository Receipts, Shareholding and Dividend, Financial results, pl. visit at: http://mtnl.in/financials/business_prospects.htm

For more details on MTNL, pl. visit Company website at: <http://mtnl.in>.

PROFILE OF THE COMPANY'S BUSINESS

MAIN SERVICES OFFERED: MTNL is offering complete bouquet of Telecom services to meet the needs of Government bodies, Corporates, Companies, individuals etc. MTNL Offers the following mains Telecom Service:

1. BASIC AND LIMITED MOBILE TELEPHONE SERVICES
2. CELLULAR MOBILE TELEPHONE SERVICES
3. LIMITED MOBILE TELEPHONE SERVICES - GARUDA
4. INTERNET SERVICES
5. Intelligent Network Based Telecom Services
6. BROADBAND SERVICES
7. IPTV Service

8. VOIP
9. Wi-Fi
10. ISDN
11. Leased Circuits
12. Digital Certificates
13. MPLS / VPN
14. PCO
15. Value Added Services

1. **Basic fixed-line access (including phone plus facilities):** MTNL provide basic fixed-line access, which consists of installation and provision of basic voice telephony services. Phone plus facilities in basic fixed-line include such services as abbreviated dialing, call transfer, hotline facility, three party conferencing, absentee facility, CLIP facility, call hunting, call alert and morning alarm.
2. **GSM cellular services:** In February 2001, MTNL launched our cellular mobile services using GSM technology (the European and Asian standard for digital cellular telephony) in Delhi and Mumbai under the brand name *Dolphin*. In 2002, MTNL introduced our prepaid cellular services under the brand name *Trump*. MTNL provide national roaming facilities for our GSM cellular customers through the networks of BSNL outside Mumbai and Delhi and international roaming facilities with 45 operators in approximately 40 countries, and MTNL have established roaming facilities for our customers in a total of approximately 200 countries. As of March 31, 2008, MTNL had installed a cellular network with a capacity of 17.75 lakh lines in Delhi. GSM capacity in Delhi was planned to be further expanded by 2 million each (1.5 million 3G including).
3. **Mobile and fixed-wireless services based on CDMA technology:** In May 1997, MTNL began implementing wireless-in-local-loop services using CDMA technology for fixed wireless and mobile operations on a commercially experimental basis with a single exchange and capacity for 1,000 subscribers in Delhi. Wireless-in-local-loop services use wireless links from a local exchange in place of conventional cables. Two types of service are provided. One type employs a handset that is fixed to a subscriber's premises for "fixed wireless" service, while the other employs a mobile telephone -or "mobile" or "limited mobility" services. MTNL have since upgraded our CDMA equipment and receiving stations and, in October 1999, MTNL opened subscriptions for up to an additional 9,000 CDMA mobile and fixed wireless connections in Delhi and dedicated 40% of these connections for fixed wireless.

Our CDMA mobile service offers only limited mobility within Delhi and Mumbai, and currently MTNL are not permitted to offer roaming facilities on this service. If MTNL obtain the newly available Unified Access License MTNL will be able to offer full mobility.

CDMA fixed wireless is a substitute for fixed-line access. Fixed wireless allows us to enhance basic service penetration, provide quicker installation and cover areas where the installation of cable would not be economical. Our CDMA mobile service is marketed under the brand name *Garuda*.

4. **Internet access services:** MTNL commenced our Internet service provider operations in February 1999 with initial equipment capacity to support up to 5,000 subscribers in each of Delhi and Mumbai. MTNL experienced significant demand for this service and have since expanded our Internet services capacity to support additional subscribers in each of Delhi and Mumbai.

MTNL also enable our customers to access the Internet without having to subscribe for Internet service. They can access the service and later be billed on the basis of calling line identification usage. The number of customers who use this service is much higher than the number of Internet subscribers MTNL have.

5. **Intelligent Network services:** MTNL are introducing Intelligent Network services over our entire network which at present includes:
 - Calling card service
 - Toll free calling service
 - Premium rate “0900” number service
 - Televoting service.
6. **Broadband services:** MTNL also offer data communications services through our packet switched data network. This service allows the transmission of data on standard international data protocols and access via dedicated lines or dial-up facilities. MTNL plan to expand broadband services on a large scale based on the ADSL technology. ADSL means asymmetric digital subscriber loop, a technology that allows combinations of services including voice, data technology and one-way full motion video to be compressed and delivered over existing copper cables. MTNL expect to experience significant demand for these high speed data services from large corporate, financial, media, public service and education institutions. MTNL launched broadband services using ADSL 2+ in January 2005.
7. **IPTV (Internet Protocol Television):** IPTV delivers television programming to households Using advanced Technology and internet protocols. It requires a IPTV set-top box, and offers key advantages over existing TV cable and satellite technologies. IPTV is typically bundled with other services like Video on Demand (VOD), voice over IP (VOIP) or digital phone, and Web access, collectively referred to as *Triple Play*. MTNL have launched IPTV services in both Delhi and Mumbai on revenue sharing basis with M/S Aksh Optifibre Limited.
8. **VOIP:** MTNL have launched VOIP (Voice 3 over Internet Protocol) services on revenue share arrangement in association with M/S Aksh Optifibre Limited.
9. **Wi-Fi Services:** MTNL have launched Wi-fi service to provide Internet connectivity to inaccessible and hot spots in the Delhi area. MTNL Wifine HotSpot offers a wide range of service plans to meet the internet browsing needs. MTNL WiFine HotSpot provides high-speed Wi-Fi wireless Internet access in convenient public locations
10. **ISDN services:** MTNL provide narrow-band ISDN services that allow subscribers to send high speed data make telephone calls with high quality voice transmission and hold desktop video conference over a single line. In the past, the development of independent networks for a variety of services (such as voice, telex, packet-switched data and leased lines) made each of them relatively expensive. ISDN technology allows a wide range of data services to be made available to the subscriber through a single connection and at a reduced cost. MTNL believe these high speed data transmission products will help us to attract high usage subscribers. MTNL introduced narrow-band ISDN services in August 1996.
11. **Leased line service:** MTNL provide point-to-point leased line services for local, domestic long distance and international connectivity. Subscribers can use our leased lines to assemble their own private networks between offices within Delhi and Mumbai or together with BSNL, between Delhi and Mumbai and to other Indian cities. Leased line services can be used for voice and data transmission at various bandwidths. In addition, MTNL earn revenues from leasing circuits to cellular operators in Delhi and Mumbai to interconnect their networks to our network.
12. **Digital Certificates:** Indian Information Technology Act – 2000 (IT-Act 2000) provides legal recognition for transactions carried out by means of electronic data interchange and other means of electronic communication, commonly referred to as "electronic commerce", which involve the use

of alternatives to paper-based methods of communication and storage of information, to facilitate electronic filling of documents.

MTNLTRUSTLINE is a Public Key Infrastructure (PKI) established by Mahanagar Telephone Nigam Limited (MTNL) that provides Digital Certificates to entities including but not limited to Individuals, Organizations, Servers and Network Devices within the framework of IT-Act 2000. The term Certifying Authority is an umbrella term that refers to all entities issuing Certificates within the MTNLTRUSTLINE PKI. MTNLTRUSTLINE is governed, operated & managed by highly professional and skilled persons who take the utmost care in issuing, managing, revoking, and renewing certificates with legal validity under the IT-Act. Being under the banner of renowned Public Sector Undertaking (PSU), MTNLTRUSTLINE has additional credibility & assurance in its bag. It is licensed by Controller of Certifying Authority (CCA) Govt. of India.

DIGITAL SIGNATURE: Authentication of any electronic record by a subscriber by means of an electronic method or procedure in accordance with the provisions of section 3 of the Indian IT-Act 2000.

DIGITAL CERTIFICATE: A digital certificate is like a passport, with quite a bit of information between the covers. The certificate actually contains different parts, most importantly a private key and a public key. It identifies the CA, identifies the subscriber, contain subscriber's public key, identifies the certificate's operational period, contain certificate serial number and is digitally signed by the CA.

13. MTNL have also commissioned a state-of-the-art IP/MPLS core network in Delhi.
14. **Public Call Offices:** Public call offices consist of both manned offices where people can make local, long distance and international calls, and coin operated telephone booths. At March 31 2008, public call offices accounted for 6.29% of our total wire lines in service. The coin-operated public call offices offer only local call service, while the franchised public call offices offer local, domestic long distance and international call services. MTNL pay a commission to the franchisees depending on the number of calls per fortnight and international calls. The franchisees charge the same tariffs MTNL do for these services.
15. **Value Added services:** Value-added services on GSM such as call-waiting, call-forwarding, wake-up calls, absent subscriber service (informing callers that the subscriber is unavailable) and caller identification, friends & family, night talk, VMS call conference, WAP and voice mail.

For more details, pl. visit our website at: <http://www.mtndelhi.in/> → Services

OBLIGATIONS

1. **Towards customers and dealers:** To provide prompt, courteous and efficient service and quality of products/services at fair and reasonable services.
2. **Towards employees**
 - ✓ Develop their capability and advancement through appropriate training and career planning
 - ✓ Expeditious redressal of grievances
 - ✓ Fair dealings with recognized representatives of employees in pursuance of healthy trade union practices and sound personnel policies
3. **Towards the Society – Corporate Social Responsibilities**

MTNL is committed to provide quality Telecom Services at affordable price to the citizens of the remotest part of the Country. MTNL is making all effort to ensure that the main objectives of the new Telecom Policy 1999 (salient points indicated below) are achieved:

- Access to telecommunications is of utmost importance for achievement of the country's social and economic goals. Availability of affordable and effective communications for the citizens is at the core of the vision and goal of the new Telecom policy 1999.
- Strive to provide a balance between the provision of universal service to all uncovered areas, including the rural areas, and the provision of high-level services capable of meeting the needs of the country's economy encourage development of telecommunication facilities in remote, hilly and tribal areas of the country;
- Transform in a time bound manner, the telecommunications sector to a greater competitive environment in both urban and rural areas providing equal opportunities and level playing field for all players.

4. Employee's Welfare Activities

Commitment towards the principles of corporate social responsibilities is inbuilt within the corporate philosophy of BSNL. A very wide range of welfare programmes, with a focus on the employees' welfare is continuously implemented by the Staff Welfare Board of the Company.