

महानगर टेलीफोन निगम लि०

(भारत सरकार का उद्यम)

Mahanagar Telephone Nigam Ltd.

(A Government of India Enterprise)

CIN: L32101DL1986GOI023501



MTNL/SECTT/SE/2017

May 31, 2017

**The Secretary,
Stock Exchanges,
BSE/NSE**

SUB: Compliance of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Submission of Audit Report for the F.Y. ended on 31st March, 2017 and Statement on Impact of Audit Qualifications.

Dear Sir,

Further to our letter of even no. dtd 30.05.2017 regarding Audited Financial Statements of MTNL, kindly find following documents:

- i) MTNL Audit Qualifications on Standalone and Consolidated Financial Statements of 2016-17;
- ii) Statement on Impact of Audit Qualifications (for audit report with modified opinion) - Standalone and Consolidated for the F.Y. 2016-17.

Kindly acknowledge the receipt and take the same on record.

Thanking you,

Yours faithfully,

**(S R SAYAL)
COMPANY SECRETARY**

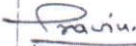

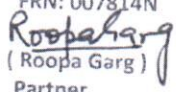
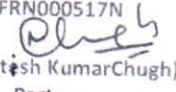
ANNEXURE I

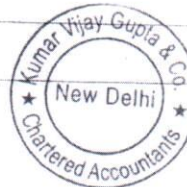
MAHANAGAR TELEPHONE NIGAM LIMITED
(A Govt. of India Enterprise)

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

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

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2017
[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2017

I.	SLNO	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In crs)	Adjusted Figures (audited figures after adjusting for qualifications)
	1.	Turnover/Total Income	3,552.46	3,552.46
	2.	Total Expenditure	6,497.91	6,497.91
	3.	Net Profit/(Loss)	(2,941.08)	(3081.44)
	4.	Earnings Per Share	(46.68)	(48.91)
	5.	Total Assets	17,662.97	17,626.06
	6.	Total Liabilities	17,662.97	17,766.42
	7.	Net Worth	(3,366.70)	(3,507.06)
	8.	Any other financial item(s) (as felt appropriate by the management)	NIL	
II.	Audit Qualification (each audit qualification separately):			
	a. Details of Audit Qualification: Attached			
	b. Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion			
	c. Frequency of qualification: Whether appeared first time / repetitive / since how long continuing: <i>The 12 items of qualification are repetitive.</i>			
	d. For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Attached			
	e. For Audit Qualification(s) where the impact is not quantified by the auditor			
	(i) Management's estimation on the impact of audit qualification:			
	(ii) If management is unable to estimate the impact, reasons for the same: Attached			
	(iii) Auditors' Comments on (i) or (ii) above:			
III.	Signatories:			
	 (P. K. Purwar) Director(Fin)/CMD	 (Rakesh Nangia) Audit Committee Chairman	For Kumar Vijay Gupta & Co. Chartered Accountants FRN: 007814N  (Roopa Garg) Partner M.No. 500677	For Mehra Goel & Co Chartered Accountants FRN000517N  (Nitish Kumar Chugh) Partner M.No. 512742
	Place: New Delhi Date: 30 th May, 2017			

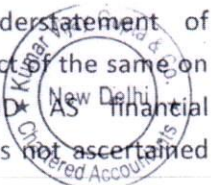


MTNL Audit Qualifications on Accounts of 2016-17 (Standalone)

Sr. No.	Qualification	Management Estimation /Views
1	<p>The Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3729.78 Crores is subject to reconciliation and confirmation. In view of non reconciliation and non confirmation and also in view of various pending disputes regarding claims and counter claims, we are not in a position to ascertain and comment on the correctness of the outstanding balances and resultant impact of the same on the Standalone IND AS financial statements of the Company.</p>	<p>Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books upto the year 2016-17. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled by intervention at the highest level of DoT in the current year and approximately Rs. 400 crs of claims were settled by BSNL and Rs. 200 crs is paid by MTNL. As such the issue is under settlement and both being PSUs under DOT, there would be settlement at the earliest. Further process of settlement also continues in financial year 2017-18. In view of above the impact if it would be is not assessable at this stage.</p>
2	<p>The Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 7263.61 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.</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the recoverable amount of Rs 7263.61 crores includes the GPF (RS 1775.54 Crs), Excess pension paid from 1-10 2000 (Rs.295.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.6604.63 crores identified and acknowledged for settlement. In addition to the reply of management requests made to DOT, the matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of Rs. 658.98 crs shown by MTNL in the books for the year 2016-17 on lines of GPF, Bonds etc which already stand confirmed to the extent of Rs. 6604.63 crs. The issue of confirmation and settlement of Earlier period bonds related claims of Rs.431 crores is already in progress in D.O.T. The resultant Rs.227.98 crs is also due to MTNL on account of various other cliams of period pertaining to years 1986- 2000. In view of above there will be almost no impact is not assessable.</p>



- 3 Upto financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Company continues to reflect the difference in license fee arising from working out the same on accrual basis as aforesaid for the period upto financial year 2011-12 by way of contingent liability of Rs. 140.36 Crores instead of actual liability resulting in understatement of current liabilities and understatement of loss to that extent.
- The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed by BSNL. As it is there is no short payment of licence fees to DOT as both BSNL and MTNL paid licence fee on the basis of income and revenue share against the other company booked in the accounts and if revenue share goes up after reconciliation refund of license fee from DOT becomes due and if revenue share goes down in reconciliation correspondingly. The revenue of other unit goes down resulting into reduction of license fee there in other. While increase of rupees in the companies with net result being no impact to govt. As such action will be taken accordingly on reconciliation by company under DOT guidelines. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon.
- 4 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.
- As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However MTNL has already appointed a consultant to get the old policy reviewed and on receipt of his final report necessary further action will be taken to bring it more aligned to the company act 2013 related rules and also Indian Accounting Standard – 16. As regards the allocation of overhead MTNL has already appointed an M/s Rawla & Co. Chartered Accountant as consultant for advising the more scientific policy on allocation of overheads. In view



	and quantified.	of above the impact is not assessable.
5	<p>Except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard – 36 “Impairment of Assets” prescribed under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Company, we are unable to ascertain and comment on the provision required in respect of impairment in carrying value of cash generating units and its consequent impact on the loss for the year, accumulated balance of reserve and surplus and also the carrying value of the cash generating units</p>	<p>The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2017 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. As regards the gap between projections and achievements of same, the projections are made on certain basic assumptions, presumptions of parameters and the realization of the assumptions may not be always full and in any case the impairment is tested at the end of each year revising and reviewing the assumptions taken and projections taking into account the achievements made on actual basis. As such testing is being done at the end of each year and there is no impairment according to the company’s understanding and if profit and loss account is not to be linked up with impairment company’s stance is in order and as per latest services done by management also no impairment found.</p> <p>In view of above the impact is not assessable.</p>
6	<p>Amount receivables from and payables to the various parties are subject to confirmation and reconciliation. Pending such confirmation and reconciliations, the impact thereof on the Standalone IND AS financial statements are not ascertainable and quantifiable.</p>	<p>Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month’s outstanding is shown in the current month’s bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is not needed for them. Since the payables and receivables are settled as stated</p>



		<p>above and the same is a continuous process, there is no impact otherwise and wherever necessary adjustments are also made. Although no specific confirmation is taken all the bills issued by corporate office shall shown outstanding including details of such outstanding old bills to subscriber as part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate debtors/receivables. As regards payables the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arises as it is as per contractual obligations.</p> <p>In view of above the impact is not assessable.</p>
7.	<p>Dues from the operators are not taken into account for making provision for doubtful debts. In the absence of any working, the impact thereof on the Standalone IND AS financial statements cannot be ascertained and quantified.</p>	<p>The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic & GSM has been done as per the policy.</p> <p>The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses including arbitrations under the control of CMD, MTNL therefore the view taken in this is not acceptable under law of the land.</p> <p>In view of above the impact is not assessable.</p>
8	<p>(a) In Delhi Unit, reconciliation of balances of subscriber's deposits as per subsidiary records with financial books (WFMS) is still in progress and the impact, if any, of the differences arising out of such reconciliation on Standalone IND AS financial statements cannot be ascertained and quantified at present.</p>	<p>(a) The reconciliation is almost completed and one area is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process.</p> <p>In view of above the impact is not assessable.</p>



(b) Unlinked credit of Rs. 36.91 Crores



on account of receipts from subscribers against billing by the Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated.

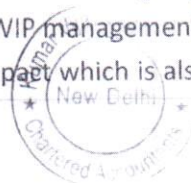
(b)The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time.

9 In the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Delhi Unit. Pending such reconciliation, the impact of the same on the Standalone IND AS financial statements cannot be ascertained and quantified.

Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time at Delhi unit. While Mumbai unit has already completed IT. As such there is no such possibility for quantification and on materiality aspect also there is no issue. In view of above the impact is not assessable.

10 Property, Plant and Equipment are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the Property, Plant and Equipment gets deferred to next year. The resultant impact of the same on the statement of profit and loss by

Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been reduced by Rs 225.27 crs as at 31-3-17 despite addition of Rs 362.33 crs in current year to opening CWIP of Rs 102.85 crs. In view of above and the ongoing process of capitalisation of old to oldest WIP management do not expect that there would be any impact which is also thereby not assessable



way of depreciation and amount of Property, Plant and Equipment capitalised in the balance sheet cannot be ascertained and quantified.

at this stage.

11 Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the Standalone IND AS financial statements cannot be ascertained and quantified

The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not assessable.

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

Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the



basis of the demand raised by D.O.T.in respect of GSM.

The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt.

In view of above the impact is not assessable.

Notes:

- 1) All above said qualifications are Qualified Opinion.
- 2) Qualifications No. 1 to 12 are of repetitive nature.



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

ANNEXURE I

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

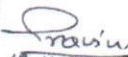
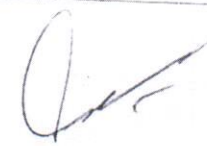
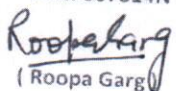
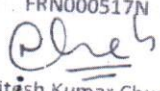
Statement on Impact of Audit Qualifications (for audit report with modified opinion) submitted along-with Annual Audited Financial Results - (Consolidated)

Statement on Impact of Audit Qualifications for the Financial Year ended March 31, 2017
[See Regulation 33 / 52 of the SEBI (LODR) (Amendment) Regulations, 2017]

SLNO	Particulars	Audited Figures (as reported before adjusting for qualifications) (Rs. In crs)	Adjusted Figures (audited figures after adjusting for qualifications)
1.	Turnover/Total Income	3,654.69	3,654.69
2.	Total Expenditure	6,594.94	6,735.30
3.	Net Profit/(Loss)	(2,936.05)	(3,076.41)
4.	Earnings Per Share	(46.60)	(48.83)
5.	Total Assets	17,693.26	17,656.35
6.	Total Liabilities	17,693.26	17,796.71
7.	Net Worth	(3,373.85)	(3514.21)
8.	Any other financial item(s) (as felt appropriate by the management)	NIL	

- II. Audit Qualification (each audit qualification separately):**
- Details of Audit Qualification:
 - Type of Audit Qualification : Qualified Opinion / Disclaimer of Opinion / Adverse Opinion
 - Frequency of qualification: Whether appeared first time / repetitive / since how long continuing : : *The 12 items of qualification are repetitive.*
 - For Audit Qualification(s) where the impact is quantified by the auditor, Management's Views: Attached
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 - Management's estimation on the impact of audit qualification:
 - If management is unable to estimate the impact, reasons for the same: Attached
 - Auditors' Comments on (i) or (ii) above:

III. Signatories:

 (P. K. Purwar) Director(Fin)/CMD	 (Rakesh Nangia) Audit Committee Chairman	For Kumar Vijay Gupta & Co. Chartered Accountants FRN: 007814N  (Roopa Garg) Partner M.No. 500677	For Mehra Goel & Co Chartered Accountants FRN000517N  (Nitish Kumar Chugh) Partner M.No. 512742
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Place: New Delhi
Date: 30th May, 2017



MTNL Audit Qualifications on Accounts of 2016-17 (Consolidated)

Sr. No.	Qualification	Management Estimation /Views
1	<p>The Holding Company has certain balances receivables from and payables to BSNL. The net amount recoverable of Rs. 3729.78 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.</p>	<p>Management has taken up the matter of reconciliation of receivables from and payables to BSNL through a standing committee constituted by D.O.T. and also with DOT. In addition to the request to DOT to intervene, the matter has been taken up directly with BSNL also for reconciliation and confirmation of claims shown by MTNL in the books upto the year 2016-17. The claims pertaining to 2013-14 & some of the claims of 2014-15 & 2015-16 have been settled by intervention at the highest level of DoT in the current year and approximately Rs. 400 crs of claims were settled by BSNL and Rs. 200 crs is paid by MTNL. As such the issue is under settlement and both being PSUs under DOT, there would be settlement at the earliest. Further process of settlement also continues in financial year 2017-18 In view of above the impact if it would be is not assessable at this stage.</p>
2	<p>The Holding Company has certain balances receivables from and payables to Department of Telecommunication (DOT). The net amount recoverable of Rs. 7263.61 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.</p>	<p>Management has taken up the matter of reconciliation and settlement of amounts which ever not confirmed with the Administrative ministry. However the recoverable amount of Rs 7263.61 crores includes the GPF (RS 1775.54 Crs), Excess pension paid from 1-10 2000 (Rs.295.12 Crs) and Bonds issued in lieu of refund of OT entry fees of BWA Spectrum (Rs4533.97 Crs) totalling to Rs.6604.63 crores identified and acknowledged for settlement. In addition to the reply of management requests made to DOT, the matter has been taken up with higher level officers of DOT for reconciliation and confirmation of balance claims of Rs. 658.98 crs shown by MTNL in the books for the year 2016-17 on lines of GPF, Bonds etc which already stand confirmed to the extent of Rs. 6604.63 crs. The issue of confirmation and settlement of Earlier period bonds related claims of Rs.431 crores is already in progress in D.O.T. The resultant Rs.227.98 crs is also due to MTNL on account of various other cliams of period pertaining to years 1986- 2000. In view of above there will be almost no impact is not assessable.</p>



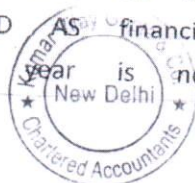
3 In respect of Holding Company, up to financial year 2011-12 License Fee payable to the DOT on IUC charges to BSNL was worked out on accrual basis as against the terms of License agreements requiring deduction for expenditure from the gross revenue to be allowed on actual payment basis. From financial year 2012-13, the license fee payable to the DOT has been worked out strictly in terms of the license agreements. The Holding 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.

The issue of license fee payable to DOT up to financial year 2011-12 on IUC charges to BSNL is already taken up with D.O.T. As per the accounts of MTNL the payment is settled by netting of receivable with payables as receivables are higher than payables and accordingly there is no liability to be accounted for as per MTNL. However pending reconciliation and resolution of the issue by D.O.T. and as a conservative accounting principle MTNL has recognized it as contingent liability. Necessary action can be taken only after reconciliation is completed by BSNL. As it is there is no short payment of licence fees to DOT as both BSNL and MTNL paid licence fee on the basis of income and revenue share against the other company booked in the accounts and if revenue share goes up after reconciliation refund of license fee from DOT becomes due and if revenue share goes down in reconciliation correspondingly. The revenue of other unit goes down resulting into reduction of license fee there in other. While increase of rupees in the companies with net result being no impact to govt. As such action will be taken accordingly on reconciliation by company under DOT guidelines. Till such reconciliation is completed there will be no ascertainable impact in both companies. As such there is no scope for quantification without actual known liability. In addition it is to apprise that DDG(LF)DOT has initiated process of reconciliation which is expected to be completed soon.

4 The Holding 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” specified 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 the year is not

As regards the allocation of over heads in line with Indian Accounting Standard – 16 “Property, Plant and Equipment” prescribed under Section 133 of the Act, the allocation is made on the basis of approved policy formulated taking into account related factors of contribution to capital works by various units of MTNL. However MTNL has already appointed a consultant to get the old policy reviewed and on receipt of his final report necessary further action will be taken to bring it more aligned to the company act 2013 related rules and also Indian Accounting Standard – 16. As regards the allocation of overhead MTNL has already appointed an M/s Rawla & Co. Chartered Accountant as consultant for advising the more scientific policy on allocation of overheads.

In view of above the impact is not assessable.



ascertained and quantified

5 In respect of Holding Company, except for the impairment loss of assets of CDMA units, no adjustment has been considered on account of impairment loss, if any, during the year, with reference to Indian Accounting Standard - 36 "Impairment of Assets" specified under Section 133 of the Act. In view of uncertainty in achievement of future projections made by the Holding 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.

6 In respect of Holding Company, 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 is not ascertainable and quantifiable.

The impairment testing is being done in respect of MTNL as a whole as CGU and the same is carried out at the end of every year and as per test carried out as at 31.3.2017 there is no impairment loss and there are also no specific indicators of such loss. Incurring of recurring losses is although an indicator for going for impairment testing in case of assets, it is not necessary that assets should also get impaired on account of losses and the losses are due to extraneous reasons viz. Abnormal legacy cost of staff etc. not attributable to the efficiency of assets earning capacity or impairment of the value in use of the related assets. As regards the gap between projections and achievements of same, the projections are made on certain basic assumptions, presumptions of parameters and the realization of the assumptions may not be always full and in any case the impairment is tested at the end of each year revising and reviewing the assumptions taken and projections taking into account the achievements made on actual basis. As such testing is being done at the end of each year and there is no impairment according to the company's understanding and if profit and loss account is not to be linked up with impairment company's stance is in order and as per latest services done by management also no impairment found.

In view of above the impact is not assessable.

Because of the volume of the subscriber base, it is not practically possible to obtain confirmation of balances from debtors. However the previous month's outstanding is shown in the current month's bills sent for payment which itself is a process of confirmation. No confirmations are processed to creditors and their liabilities are accounted for as per the terms and conditions of the contracts and the same are paid as per the same which are final unless there is any dispute in which case the same is either referred for resolution through arbitration or courts and NLD and ILD operators dues are paid on regular basis on the basis of interconnect agreements and hence no specific confirmation is not needed for them. Since the payables and receivables are settled as stated above and the same is a



continuous process, there is no impact otherwise and wherever necessary adjustments are also made. Although no specific confirmation is taken all the bills issued by corporate office shall shown outstanding including details of such outstanding old bills to subscriber as part of appraisal and confirmation or rebuttal. As such the view that no confirmation is there is not correct in respect to corporate debtors/receivables. As regards payables the liabilities are booked on the basis of contracts, work order and purchase orders and question of confirmations does not arises as it is as per contractual obligations.

In view of above the impact is not assessable.

7 In respect of Holding Company, 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.

The dues of other operators are not provided like other debts as they are based on the interconnectivity regime and are governed by mutual agreements with clauses of arbitration and the debtors are identifiable and are in constant business relationship with MTNL. As such the treatment given to normal debtors cannot be applied in this case. The provision for other debts relating to Basic & GSM has been done as per the policy.

The provision in respect of dues of operators is on a different footing and is not to be equated with normal debts. They are also shown as claims recoverable and payable and not as debtors and are bound under agreement clauses including arbitrations under the control of CMD, MTNL therefore the view taken in this is not acceptable under law of the land.

In view of above the impact is not assessable.

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

(a) The reconciliation is almost completed and one area is in process. Necessary adjustments entries, if any, shall be passed only after reconciliation as done in the case of Mumbai unit. The recovery is under process and is spanning over past years, necessary action is under process.

In view of above the impact is not assessable.

(b) In respect of Holding Company,

(b) The non matching is basically due to the non identification of the subscribers for want of their customer account numbers not available due to wrong or non



Unlinked Credit of Rs. 36.91 Crores on account of receipts from subscribers against billing by the Holding Company which could not be matched with corresponding receivables are appearing as liabilities in the balance sheet. To that extent, trade receivables and other current liabilities are overstated

provision of the same at the time of payment or due to wrong punching of it in the customer records. Besides it is a continuous process and necessary adjustments entries, if any, will be made on reconciliation, if necessary. In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time.

9 In respect of Holding Company, in the absence of detailed information i.e. break up of amount received with relation to the individual invoices raised through MACH, invoice wise reconciliation of the roaming debtors is pending in Holding Company (Delhi Unit). Pending such reconciliation, the impact of the same on the Consolidated IND AS financial statements cannot be ascertained and quantified.

Amounts received with reference to the settlements made based on reports of M/S "MACH", nodal agency with wide experience and represented around 650 operators, are allocated on regular basis M/s MACH is a nodal agency for both the sides for national/international operators and is an internationally acclaimed agency. As the payments are received as per the settlements being done on the basis of MACH reports on an overall basis and the process of reconciliation and identification to invoices is going on a continuous and perennial basis and also no irregularity has been noticed on this account till date there is no impact as per the understanding of Management. However efforts are being made to get the reconciliation done to the micro level of invoice also at Delhi unit.

In addition to the reply of management, the reconciliation is under process and the same will be reconciled in due course of time at Delhi unit. While Mumbai unit has already completed IT. As such there is no such possibility for quantification and on materiality aspect also there is no issue.

In view of above the impact is not assessable.

10 In respect of Holding Company, Property, Plant and Equipment are generally capitalised on the basis of completion certificates issued by the engineering department or bills received by finance department in respect of bought out capital items. Due to delays in issuance of the completion certificates or receipt of the bills, there are cases where capitalisation of the Property, Plant

Noted and necessary instructions have been reiterated and WIP review is also continuously being done to ensure that the works are completed in time and there is no delay in the submission of completion certificates in case of works already completed but shown under WIP and as a result of such review the WIP has been reduced by Rs 225.27 crs as at 31-3-17 despite addition of Rs 362.33 crs in current year to opening CWIP of Rs 102.85 crs.

In view of above and the ongoing process of capitalisation



and Equipment gets deferred to next year. The resultant impact of the same on the consolidated statement of profit and loss by way of depreciation and amount of Property, Plant and Equipment capitalised in the Consolidated IND AS financial statements cannot be ascertained.

of old to oldest WIP management do not expect that there would be any impact which is also thereby not assessable at this stage.

11 In respect of Holding Company, Certain Land and Buildings transferred to MTNL from DOT in earlier years have been reflected as leasehold. In the absence of relevant records, we are not in a position to comment on the classification, capitalization and amortisation of the same as leasehold and also the consequential impacts, if any, of such classification, capitalization and amortisation not backed by relevant records. In the absence of relevant records, impact of such classification on the Consolidated IND AS financial statements cannot be ascertained and quantified.

The perpetual lease is given to these properties and DOT transferred these on as is where is basis as per sale deed with liability to pay stamp duty at the time of registration in the name of MTNL as and when the same is needed. As such there is no impact expected due to the classification. In view of above the impact is not assessable.

12 In respect of Holding Company, Department of Telecommunication (DOT) had raised a demand of Rs. 3,313.15 Crores in 2012-13 on account of one time charges for 2G spectrum held by the Company for GSM and CDMA for the period of licence already elapsed and also for the remaining valid period of licence including spectrum given on trial basis.

Dept. of Telecom has levied one time spectrum charges for the GSM and CDMA spectrum on MTNL and the spectrum given on trial basis to the extent of 4.4 Mhz in 1800 Mhz frequency is also included in calculations. The calculations are further subject to changes in the quantum of spectrum holding and the remaining valid period of license as per D.O.T. MTNL has surrender some of the spectrum allotted on trial basis and does not require to pay for CDMA spectrum since it holds only 2.5 Mhz spectrum in respect of CDMA. D.O.T. has been apprised of the same and the matter is still under correspondence Besides, ab-initio, the very policy of levy of one time spectrum charges by DOT itself has been challenged by private operators and is sub judice as on date whereas MTNL's case is also to be decided by D.O.T. on the basis of outcome of the court case and the spectrum surrendered or retained. The finalisation of charges and the modalities of payment are therefore to be



crystallized yet and as on date the position is totally indeterminable as to the quantum of charges and also the liability. Pending final outcome of the issue which itself is subjudice and non finality of quantum of charges payable, if at all, to DOT, no provision is made in the books of accounts. However the contingent liability of Rs.3205.71 crores is shown on the basis of the demand raised by D.O.T.in respect of GSM.

The issue is under litigation in respect of other operations and DOT finalises the case on disposal of litigation and at that time action for MTNL will also be made clear by DOT. As such only contingent liability on the basis of old demands of DOT is made and neither DOT is demanding thereafter. Hence issue gets resolved on final decisions of govt. In view of above the impact is not assessable.

Notes:

- 1) All above said qualifications are Qualified Opinion.
- 2) Qualifications No. 1 to 12 are of repetitive nature.

