

February 24, 2014

**CARE REAFFIRMS THE RATINGS ASSIGNED TO THE NCD ISSUE OF
MAHANAGAR TELEPHONE NIGAM LIMITED**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Non-Convertible Debentures*	3,000	CARE AAA (SO) [Triple A (Structured Obligation)]	Reaffirmed

**backed by the unconditional and irrevocable guarantee of Government of India (GoI).*

Rating Rationale

The rating assigned to the aforesaid Non-Convertible Debenture (NCD) issue of Mahanagar Telephone Nigam Limited (MTNL) continues to be based on the credit enhancement in the form of an unconditional and irrevocable guarantee of Government of India (GoI), supported by a structured payment mechanism.

Background

MTNL was incorporated by Government of India (GoI) in 1986 with the aim of upgrading the quality of telecom services, expanding the telecom network and introducing new services for India's key metros Delhi and Mumbai.

Presently, MTNL is providing a host of telecom services that include fixed telephone service, GSM (including 3G services) & CDMA-based mobile service, internet, broadband, ISDN and leased line services. As on September 30, 2013, MTNL had a subscriber base of 9.26 million. MTNL's GSM service is provided under brand names 'Dolphin' (postpaid) and 'Trump' (prepaid), while CDMA service is offered under 'Garuda' brand.

MTNL reported a net loss of Rs.5,321 crore [Rs.4,110 crore in FY12 (refers to the period April 01 to March 31)] on a total income of Rs.3,532 crore (Rs.3,467 crore in FY12) in FY13. During H1FY14 (unaudited), MTNL reported a net loss of Rs.2,153 crore on a total income of Rs.1,696 crore.

Unconditional & irrevocable guarantee from GoI covering entire rated amount

The NCD issue of Rs.3,000 crore is backed by an unconditional and irrevocable guarantee for servicing of the entire amount (both principal as well as the accrued interest) from GoI through the Department of Telecommunications (DoT, Ministry of Communication & Information Technology). A trustee-monitored payment mechanism is in place to ensure the timely payment of the interest & principal obligations on the bond issue.

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¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

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