

Mahanagar Telephone Nigam Limited (Revised)

November 07, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	2,803.81 (Reduced from 9,810.34)	CARE BB+; Stable	Reaffirmed
Long-term / Short-term bank facilities	3,500.00 (Enhanced from 2,754.66)	CARE BB+; Stable / CARE A4+	Reaffirmed
Short-term bank facilities	5,335.10 (Reduced from 9,435.00)	CARE A4+	Reaffirmed
Bonds [@]	3,768.97	CARE AAA (CE); Stable	Reaffirmed
Bonds [@]	6,500.00	CARE AAA (CE); Stable	Reaffirmed
Bonds [@]	10,910.00	CARE AAA (CE); Stable	Reaffirmed
Bonds [@]	6,661.00	CARE AAA (CE); Stable	Reaffirmed
Non-convertible debentures [@]	1,975.00 (Reduced from 2,980.00)	CARE AAA (CE); Stable	Reaffirmed
Non-convertible debentures [@]	765.00	CARE AAA (CE); Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

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

@ 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.

Unsupported rating	CARE BB+ [Reaffirmed]
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Note: Unsupported rating does not factor in the explicit credit enhancement.

Rationale and key rating drivers for the credit enhanced debt

The reaffirmation of the ratings assigned to the debt instruments [bonds and non-convertible debenture (NCD) issues] of Mahanagar Telephone Nigam Limited (MTNL) continues to factor in the credit enhancement in the form of an unconditional and irrevocable guarantee from the Government of India, through the Department of Telecommunications (DoT), Ministry of Communications (MoC). The guarantee is operating through a trustee-administered structured payment mechanism, for the timely transfer of required funds for the repayment of principal and interest to a designated account, ensuring timely debt servicing. As confirmed by the debenture trustee to CARE Ratings Limited (CARE Ratings), the aforementioned structured payment mechanism has been consistently adhered to and is working as devised.

Key rating drivers of Mahanagar Telephone Nigam Limited

The reaffirmation of the ratings assigned to the bank facilities of MTNL factors in the successful completion of bond raising of ₹10,910 crore, which had supported the debt repayment obligations of FY23 (refers to the period April 1 to March 31) and partial prepayment of FY24 debt obligations. Furthermore, the company has raised ₹3,535 crore in two tranches (out of the total Sovereign Guarantee Bonds amounting to ₹6,661 crore) during July and August of 2023 which helped the company to settle its high-cost bank debt. As articulated by the management, the company intends to raise the remainder of ₹6,661 crore bonds in FY24 with the proceeds from the balance issue expected to be utilized for redemption of ₹1,975 crore bonds due on December 05, 2023 and for reducing the outstanding overdraft (OD) balances thereby improving the liquidity. Additionally, the ratings continue to factor in the majority ownership of the GoI (56.25% as on March 31, 2023), the presence of nominee directors appointed by the GoI on the board of MTNL, and the demonstrated support of the GoI in the past and expectation of the continued support in future for the timely servicing of obligations towards instruments (bonds/NCDs raised by MTNL). Additionally, the company has sufficient undrawn bank lines, which provides adequate liquidity buffer for the near term.

The rating strengths are, however, tempered by the company's weak operational and financial performance and remain underpinned by the slow movement in the GoI's revival package plan w.r.t asset monetisation, heavy interest burden, high human resource cost, and operations in a highly competitive industry.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Rating sensitivities: Factors likely to lead to rating actions

For credit enhanced debt

Positive factors

Not applicable

Negative factors

- Non-adherence to the trustee-administered structured payment mechanism by any of the parties in the transaction.
- Any change in the focus or support from the GoI to MTNL.

For unsupported ratings

Positive factors

- Sustained improvement in the financial and business performance of the company.

Negative factors

- Any change in the focus or support from the GoI to MTNL.
- Significant delay in the proposed bond issuance and asset monetisation plans, thereby impacting the liquidity position.

Analytical approach:

Credit enhanced ratings: Credit enhancement in the form of an unconditional and irrevocable guarantee from the GoI, through the DoT, MoC, operating through a trustee-administered structured payment mechanism for the timely transfer of the required funds for repayment of principal and interest to a designated account. The ratings also factor in the GoI's majority stake (56.25% of the equity) in MTNL.

Unsupported ratings: Standalone, and factoring in the majority ownership of the GoI.

Outlook: Stable

The outlook for MTNL is expected to be stable backed by the expectation of consistent support to be extended by the GoI along with the financial flexibility received by its GoI parentage. Furthermore, operating in a strategically important sector and various support mechanisms such as sovereign guarantees shall ensure timely servicing of the obligations providing stability to the credit enhanced ratings.

Detailed description of the key rating drivers:

Key strengths

Majority ownership of the GoI

MTNL is one of the only two state-owned telecom service providers in India along with Bharat Sanchar Nigam Limited [BSNL, rated CARE AAA (CE); Stable]. The GoI holds the majority stake in MTNL (56.25% as on March 31, 2023), and the balance is held by the public. The company enjoys a 'Navratna Status', a 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 both, in the domestic and global markets.

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

The debt instruments of the company are backed by unconditional and irrevocable guarantee for the servicing of the entire issue (both principal amount as well as the accrued interest), throughout the tenure of the instruments, from the GoI through the DoT, MoC. A trustee-administered structured payment mechanism is in place to ensure the timely payment of interest and principal obligations of the bond/NCD issues through a tripartite agreement between MTNL, the trustee, and the GoI, through the DoT, MoC. The trustee will facilitate the timely servicing of MTNL's obligations by the DoT, even if 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) and the NCD issue of ₹1,000 crore (subscribed ₹765 crore):

Trigger Date	Action Point
(T-30) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date of the payment of interest and/or principal amount, so that the necessary arrangements can be made for meeting the interest payment or repayment of obligations on the instrument.

Trigger Date	Action Point
(T-10) th day*	The designated trust and retention account is to be funded by the GoI to the tune of the interest/principal obligations on the bonds.
(T-8) th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) th day as above, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-1) st day*	The last date by which the GoI is to deposit the requisite funds in the designated trust and retention account as per the Notice of Invocation.

*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 NCD issue of ₹3,000 crore (subscribed ₹2,980 crore; o/s ₹1,975 crore):

Trigger Date	Action Point
(T-10) th day*	The trustee shall create and maintain a designated account and the same shall be funded adequately by MTNL, latest 10 days prior to the due date to the tune of the principal and/or accrued interest repayment obligation of the bonds (T being the due date for payment/repayment of interest and/or principal). If the account of the trustee is not funded to the requisite extent by T-10 days, it shall constitute an Event of Default on the part of MTNL.
(T-8) th day*	In case the designated account is not funded by MTNL to the requisite extent latest by 8 days prior to the due date of payment/repayment of interest and/or principal amount, the trustee shall forthwith invoke the DoT, GoI guarantee by sending a Notice of Invocation of the guarantee to DoT, GoI.
(T-1) st day*	The DoT, GoI shall without demur, reservations and recourse at least 1 day before the due date, deposit or transfer the principal and/or accrued interest amount in the designated account as per the Notice of Invocation of guarantee by the trustee.

*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) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date of the payment of interest and/or principal amount, so that the necessary arrangements can be made for meeting the interest payment/principal repayment obligations on the bond.
(T-10) th 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) th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) th day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) rd day*	The last date by which the GoI is to deposit the requisite funds in the designated trust and retention account as 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) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date for payment of interest amount, so that the necessary arrangements can be made for meeting the interest payment obligations on the bonds.
(T-10) th 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) th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) th day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) th day*	The last date by which the GoI shall deposit the requisite funds in the designated trust and retention account as 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 ₹6,661 crore (subscribed Rs. 3,535 crore, proposed Rs. 3,126 crore):

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

Support from the GoI albeit slow progress on asset monetisation

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

The following are the schemes approved by the Union Cabinet for the telcos:

- **Allotment of spectrum administratively:** The 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 (as per the GoI's 'Atmanirbhar' scheme).
- **Financial support for capex:** To meet the projected capex for the next four years of deploying Atmanirbhar 4G technology stack, the GoI will fund a capex of ₹22,471 crore. The same will be infused through equity into BSNL and includes the 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 during FY14 to FY20 was provided by the GoI in three tranches during FY23. The proceeds from the same were utilised for the 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 the operations of MTNL, fund infusion as per the revival package have taken place in BSNL which is doing the combined capex for the telcos. Furthermore, the progress on the monetisation of certain identified land assets of MTNL has also been slow, which has now been transferred from the Department of Investment and Public Asset Management (DIPAM) to the Department of Public Enterprise (DPE).

Key weaknesses

Higher-than-industry average human resource cost

MTNL has a large employee base, and the staff costs absorb a high percentage of the revenue of the company. MTNL's staff cost was about ₹545 crore in FY23 (PY: ₹555 crore), which is around 63% of its revenue from the operations in FY23 (around 52% in FY22). Although there has been a significant decrease in the employee costs post the successful implementation of the VRS, the same continues to remain more than 5x the industry average. Overstaffing is a major risk faced by the company and this cost in case of other operators is around 5%-7% of the total operating income (TOI). The same is on account of the legacy issues, which are likely to remain going forward.

Weak financial and operational performance

The total revenue has declined by 17% to ₹890 crore in FY23 from ₹1,070 crore in FY22, primarily due to the decrease in the subscriber base. The company's market share is low, as compared to its competitors, and continues to decline, impacting the financial performance, which is reflected through continued losses. The capital structure of the company continues to remain stressed with high debt repayments and interest costs. The company continues to incur operational losses and its reliance on the GoI support for refinancing its obligations. The GoI continues to display support to the entity as evident from the revival plans approved by the Union Cabinet. Going forward, the ability of the company to timely raise the proposed bonds and monetise its assets for servicing its debt and interest repayment obligations remains a key monitorable.

Highly competitive nature of the industry, albeit favourable industry outlook

The Indian telecom sector is the second-largest in the world, in terms of the number of subscribers. The sector has witnessed exponential growth over the past few years due to various factors, including affordable tariffs, wider service availability, the rollout of new technology, etc. The average data consumption per subscriber per month has increased rapidly during the past few years and the same stood at 15.80 GB for Q4FY22, backed by the consumers' digital shift post the COVID-19 pandemic.

Liquidity: Adequate

The liquidity profile is adequate and supported by the GoI. The proposed bond issuance, backed by sovereign guarantee, is expected to provide the required liquidity for debt servicing for the remaining part of FY24 and FY25. Going forward, the timely fructification of the sovereign debt issuance plans is a precursor for improvement of MTNL's liquidity profile.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks

Environmental	The company has various 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 the credit assessment. Furthermore, 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 the DoT, GoI, and the TRAI. Furthermore, the company carries out energy auditing of its buildings which has resulted in reduction of energy consumption considerably.
Social	
Governance	

Applicable criteria

[Policy on default recognition](#)

[Factoring Linkages Government Support](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Credit Enhanced Debt](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Mobile Service Provider](#)

[Policy on Withdrawal of Ratings](#)

Adequacy of credit enhancement structure:

The bonds and Non-Convertible Debentures are 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.

About the company and industry

Industry classification

Macro-economic Indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Services	Telecom - Cellular & Fixed line services

MTNL was incorporated by the 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. 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 like ADSL2+ & 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, the business operations of MTNL are being handled by BSNL as its outsourced agency, since September 01, 2021. As on April 30, 2023, MTNL had a total subscriber base of 4.45 million consisting of 2.15 million wireless subscribers (0.19% market share) and 2.30 million wireline subscribers (7.82% market share).

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	Q1FY24 (UA)
Total operating income	1,070	890	297
PBILDT	-324	-421	-42
PAT	-2,603	-2,911	-850
Overall gearing (times)	NM	NM	NM
Interest coverage (times)	NM	NM	NM

A: Audited; UA: Unaudited; NM: Not meaningful

Note: The above results are latest financial results available

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various 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	3,768.97	CARE AAA (CE); Stable
	INE153A08055	19-11-2014	8.28%	19-11-2024		
	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 AAA (CE); Stable
	INE153A08097	21-12-2020	6.85%	20-12-2030		
Bonds	INE153A08105	15-11-2022	8.00%	15-11-2032	10,910.00	CARE AAA (CE); Stable
	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	2,480.00 1,055.00 3,126.00	CARE AAA (CE); Stable
	INE153A08154	20-07-2023	7.59%	20-07-2033		
	INE153A08162	24-08-2023	7.61%	24-08-2033		
		-	-	Proposed		
Debentures-Non-convertible debentures	INE153A08022	05-12-2013	9.38%	05-12-2023	1,975.00	CARE AAA (CE); Stable
Debentures-Non-convertible debentures	INE153A08030	26-03-2014	9.39%	26-03-2024	765.00	CARE AAA (CE); Stable
Fund-based - ST-Bank overdraft		-	-	-	5,254.10	CARE A4+
Non-fund-based - ST-BG/LC		-	-	-	78.00	CARE A4+
Term loan-Long term		-	-	31-12-2028	2,803.81	CARE BB+; Stable
Term loan-LT/ST		-	-	Proposed	3,500.00	CARE BB+; Stable / CARE A4+
Term loan-Short term		-	-	02-07-2023	3.00	CARE A4+
Un Supported rating-Un Supported rating (Long Term)		-	-	-	0.00	CARE BB+

Annexure-2: Rating history for the 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 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Debentures-Non-convertible debentures	LT	1975.00	CARE AAA (CE); Stable	1)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)	1)CARE AAA (CE); Stable (08-Jan-21) 2)CARE AAA (CE); Stable (03-Apr-20)
2	Debentures-Non-convertible debentures	LT	765.00	CARE AAA (CE); Stable	1)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)	1)CARE AAA (CE); Stable (08-Jan-21) 2)CARE AAA (CE); Stable (03-Apr-20)
3	Bonds	LT	3768.97	CARE AAA (CE); Stable	1)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)	1)CARE AAA (CE); Stable (08-Jan-21) 2)CARE AAA (CE); Stable (03-Apr-20)
4	Fund-based - LT-Term loan	-	-	-				
5	Fund-based - LT-Bank overdraft	-	-	-				
6	Fund-based - ST-Term loan	-	-	-				
7	Fund-based - LT-Term loan	-	-	-				
8	Term loan-Long term	LT	2803.81	CARE BB+; Stable	1)CARE BB+; Stable (18-Jul-23)	1)CARE BB+; Stable (03-Nov-22) 2)CARE BB+; Stable	1)CARE AA+ (CE); Stable (07-Oct-21)	1)CARE AA+ (CE); Stable (08-Jan-21) 2)CARE AA+ (CE); Stable

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2020-2021
						(28-Oct-22) 3)CARE D (02-Sep-22)		(03-Apr-20)
9	Term loan-Short term	ST	3.00	CARE A4+	1)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)	1)CARE A1+ (CE) (08-Jan-21) 2)CARE A1+ (CE) (03-Apr-20)
10	Fund-based - ST-Bank overdraft	ST	5254.10	CARE A4+	1)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)	1)CARE A1+ (CE) (08-Jan-21) 2)CARE A1+ (CE) (03-Apr-20)
11	Term loan-LT/ST	LT/ST*	3500.00	CARE BB+; Stable / CARE A4+	1)CARE BB+; Stable / CARE A4+ (18-Jul-23)	1)CARE BB+; Stable / CARE A4+ (03-Nov-22) 2)CARE BB+; Stable / CARE A4+ (28-Oct-22) 3)CARE D (02-Sep-22)	1)CARE AA+ (CE); Stable / CARE A1+ (CE) (07-Oct-21)	1)CARE AA+ (CE); Stable / CARE A1+ (CE) (08-Jan-21) 2)CARE AA+ (CE); Stable / CARE A1+ (CE) (03-Apr-20)
12	Un Supported rating-Un Supported rating (Long term)	LT	0.00	CARE BB+	1)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)	1)CARE BBB / CARE A3 (08-Jan-21) 2)CARE BBB; Stable / CARE A3 (03-Apr-20)
13	Bonds	LT	6500.00	CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22)	1)CARE AAA (CE); Stable (07-Oct-21)	1)CARE AAA (CE); Stable (08-Jan-21) 2)CARE AAA (CE); Stable (25-Sep-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	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	Date(s) and Rating(s) assigned in 2020-2021
						3)CARE AAA (CE); Stable (02-Sep-22)		
14	Non-fund-based - ST-BG/LC	ST	78.00	CARE A4+	1)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)	1)CARE A1+ (CE) (08-Jan-21)
15	Bonds	LT	10910.00	CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22)	-	-
16	Bonds	LT	6661.00	CARE AAA (CE); Stable	1)CARE AAA (CE); Stable (18-Jul-23)	-	-	-

*Long term/Short term.

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

Name of the Instrument	Detailed Explanation
A. Financial covenants	Not available
B. Non-financial covenants	
I.	The company shall ensure that the debentures continue to be listed on the wholesale debt market segment of the BSE.
II.	The company shall comply with all requirements under the SEBI Monitoring Circulars and the SEBI Due Diligence Circulars, SEBI DLT Monitoring Circular and provide all documents/information as may be required in accordance with the SEBI Monitoring Circulars and the SEBI Due Diligence Circulars.
III.	The GoI would only cover the principal amount and the normal interest.
IV.	The guarantees would not be transferrable to any agency without prior approval of the budget division, Department of Economic Affairs, Ministry of Finance. In case of default, the 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) and the NCD issue of ₹1,000 crore (subscribed ₹765 crore):
Trigger Date	Action Point
(T-30) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date of the payment of interest and/or principal amount, so that the necessary arrangements can be made for meeting the interest payment or repayment of obligations on the instrument.
(T-10) th day*	The designated trust and retention account is to be funded by the GoI to the tune of the interest/principal obligations on the bonds.
(T-8) th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) th day as above, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-1) st day*	The last date by which the GoI is to deposit the requisite funds in the designated trust and retention account as 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 NCD issue of ₹3,000 crore (subscribed ₹2,980 crore; o/s ₹1,975 crore):

Trigger Date	Action Point
(T-10) th day*	The trustee shall create and maintain a designated account and the same shall be funded adequately by MTNL, latest 10 days prior to the due date to the tune of the principal and/or accrued interest repayment obligation of the bonds (T being the due date for payment/repayment of interest and/or principal). If the account of the trustee is not funded to the requisite extent by T-10 days, it shall constitute an Event of Default on the part of MTNL.
(T-8) th day*	In case the designated account is not funded by MTNL to the requisite extent latest by 8 days prior to the due date of payment/repayment of interest and/or principal amount, the trustee shall forthwith invoke the DoT, GoI guarantee by sending a Notice of Invocation of the guarantee to DoT, GoI.
(T-1) st day*	The DoT, GoI shall without demur, reservations and recourse at least 1 day before the due date, deposit or transfer the principal and/or accrued interest amount in the designated account as per the Notice of Invocation of guarantee by the trustee.

*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) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date of the payment of interest and/or principal amount, so that the necessary arrangements can be made for meeting the interest payment/principal repayment obligations on the bond.
(T-10) th 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) th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) th day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) rd day*	The last date by which the GoI is to deposit the requisite funds in the designated trust and retention account as 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) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date for payment of interest amount, so that the necessary arrangements can be made for meeting the interest payment obligations on the bonds.
(T-10) th 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) th day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) th day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) th day*	The last date by which the GoI shall deposit the requisite funds in the designated trust and retention account as 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 ₹6,661 crore (subscribed ₹3,535 crore, proposed ₹3,126 crore):

Trigger Date	Action Point
(T-30) th day*	Trustees to inform MTNL and the GoI in writing regarding the due date for payment of interest amount, so that the necessary arrangements can be made for meeting the interest payment obligations on the bonds.

(T-10) th 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) th day*	If the designated trust and retention account is not funded to the requisite extent by (T1-8) th day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) th day*	The last date by which the GoI shall deposit the requisite funds in the designated trust and retention account as 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 the mentioned day not being a business day, it will be taken to indicate the next business day.

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Bonds	Simple
2	Debentures-Non-convertible debentures	Simple
3	Fund-based - ST-Bank overdraft	Simple
4	Non-fund-based - ST-BG/LC	Simple
5	Term loan-Long term	Simple
6	Term loan-LT/ST	Simple
7	Term loan-Short term	Simple
8	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 the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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