



**MAHANAGAR TELEPHONE NIGAM LIMITED**

(A GOVERNMENT OF INDIA ENTERPRISE)

CIN L32101DL1986GOI023501

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**MTNL/SECTT/SE/2024**  
**August 28, 2024**

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

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

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

Dear Sir,

In compliance of Regulation 30 of SEBI (LODR), 2015, this is to inform you that M/s CARE Ratings Limited vide its Letter No. CARE/NRO/RL/2024-25/1793 dtd. 22.08.2024 has given its Report on Rating on Bonds Issue of MTNL. Copy of aforesaid Letter and Draft Press release is attached herewith".

Also find attached Press Release dtd 22.08.2024 from M/S India Ratings and Research Pvt Ltd.

Kindly take the same on record.

Thanking You

Yours Faithfully,

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

## India Ratings Places Mahanagar Telephone Nigam's NCDs on Rating Watch with Negative Implications

Aug 22, 2024 | Telecom - Cellular & Fixed line services

India Ratings and Research (Ind-Ra) has placed Mahanagar Telephone Nigam Limited's (MTNL) non-convertible debentures (NCDs) on Rating Watch with Negative Implications as follows:

### Details of Instruments

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating assigned along with Outlook/Watch	Rating Action
Non-convertible debentures*	-	-	-	-	INR175.71	IND AAA(CE)/Rating Watch with Negative Implications	Placed on Rating Watch with Negative Implications

\*Details in annexure

^Credit ratings with (CE) suffix indicate that the instruments are supported by an external explicit credit enhancement. Please refer to section DISCLOSURES FOR CE RATING for additional details as per Securities Exchange Board of India's (SEBI) Master Circular dated 6 July 2023.

### Analytical Approach

The CE rating is assigned based on the presence of a pre-default guarantee from the parent, government of India (GoI), along with a structured payment mechanism monitored by a third-party trustee.

### Detailed Rationale of the Rating Action

The Rating Watch with Negative Implications reflects non-adherence to the trustee administered payment structure mechanism for Series VII-D and VIII-B bonds.. Ind-Ra intends to also monitor the adherence of the payment mechanism on the bonds other than Series VII-D and VIII-B issued by MTNL, and hence placed them on rating watch.

### List of Key Rating Drivers

#### Strengths

- NCD rating underpinned by GoI guarantee
- Strong operational and legal linkages with GoI

#### Weaknesses

- Delays in funding designated account

### Detailed Description of Key Rating Drivers

**Adequacy of CE Structure Assessment - NCD Rating Underpinned by GoI Guarantee:** The rating continues to reflect the absolute, unconditional, and irrevocable pre-default guarantee extended by the GoI for the timely repayment of principal and interest on the rated NCDs. It is a continuing guarantee and shall remain in force and effect until the full tenure of NCDs. All payments pertaining to the servicing of bonds will be deposited into a designated trust and retention account. The account is operated through the trustee-monitored payment mechanism to ensure servicing of the bond obligations on-or-before the payment due date. A tri-patriate guarantee agreement has been signed between the Department of Telecommunications (DoT, on behalf of the President of India), debenture trustee (Beacon Trusteeship Ltd) and MTNL; wherein the GoI has to obtain all consents, approvals and permissions as are necessary for enforceability of the agreement.

**Strong Operational and Legal Linkages with GoI:** The GoI directly owns 56.25% of MTNL, and out of MTNL's total debt (including lease liabilities), about 76% at FYE24 (FYE23: about 66%) was secured by a pre-default guarantee structure provided by the GoI. Also, the GoI through administrative ministry appoints all the board of directors and key management personnel of MTNL. MTNL was set up by the GoI to provide telecommunication services in Delhi and Mumbai. Over the years, the GoI has been providing various kinds of financial and non-financial support to MTNL, which is factored into the rating. However, the company continues to be classified as 'incipient sick central public sector enterprise' by the GoI.

**Delays in Funding Designated Account:** There have been delay in funding the designated account by DoT (on behalf of Gol), according to the trustee administered payment structure mechanism. Ind-Ra has received the confirmation from the trustee (Beacon Trusteeship Limited) that it had invoked the pre-default guarantee on 16 August 2024 and a notice of invocation was sent to the DoT (on behalf of Gol). Ind-Ra has also received a separate confirmation from the trustee on 22 August 2024 that the designated account is not yet funded. However, MTNL has confirmed to Ind-Ra on 22 August 2024 that they have received a sanction from DoT for funding of interest payments of these bonds. Ind-Ra will continue to monitor the funding of the interest payment of these bonds.

The payment of semi-annual interest on Series VII-D & Series VIII-B bonds is due on 24 August 2024. As per the structured payment mechanism, the designated trust and retention account was to be funded by MTNL 10 calendar days i.e. (T-10)th day prior to the due date, to the tune of the interest and/or principal obligations on the bonds, which could not happen due to insufficient funds at MTNL level as disclosed on the exchanges on 16 August 2024. Hence, as per the structured payment mechanism mentioned in the debenture trustee deed, the trustee had sent the notice of invocation of guarantee to the Gol for funding the third semi-annual interest of MTNL Bond Series VII-D and second semi-annual interest of MTNL Bond Series VIII-B on 16 August 2024, i.e., (T-8)th day.

In the past, upon such invocation of the guarantee by the trustee, the designated account had been funded under the required timeline which ensured adherence to the structure.

As per the structure, MTNL has to fund the trust and retention account 30 days prior to the due date for interest payments/principal repayments. In the absence of which, the trustee can invoke the guarantee. Consequent to such invocation, the designated account had to be funded by the Gol three days prior to the due date.

## Liquidity

**Adequate; Supported by Strong Parentage:** Ind-Ra believes the liquidity is supported by the trustee-controlled pre-default payment mechanism. As per the tri-patriate guarantee agreement, the liability of bond constitutes a direct and general obligation of the Gol.

The liquidity is supported by the company's issuance of INR109.1 billion bonds in FY23 and INR66.6 billion bonds in FY24. The issuances are a part of the total proposed issuances of INR176 billion as per the revival plan. The repayments of the NCDs are happening on a timely basis, also confirmed by the trustee.

## Rating Sensitivities

The RWN indicates that rating may be either affirmed or downgraded. Ind-Ra will continue to monitor the key developments and shall resolve the watch upon (a) confirmation of funding of the designated account and (b) on receiving sustained visibility about the adherence of the structured payment mechanism on the bonds rated by the agency over the near to medium term.

Further delays in funding the designated account beyond the due date shall remain a key rating sensitivity.

## Disclosures for CE Rating

### 1) Unsupported Rating

Ind-Ra has affirmed the unsupported rating at 'IND D'

**ANALYTICAL APPROACH:** To arrive at the ratings, Ind-Ra continues to factor in MTNL's strong legal and operational linkages with MTNL's parent, Gol, which holds a 56.25% stake.

### DETAILED RATIONALE OF THE RATING ACTION

The rating reflects a consistent delay in bank debt servicing by the company.

### LIST OF KEY RATING DRIVERS

#### Weaknesses

- Weak financial profile
- Delays in debt servicing
- Intense competition; technological and regulatory risk
- Moderate market positioning

#### Strengths

- Revival plan for MTNL

### DETAILED DESCRIPTION OF KEY RATING DRIVERS

**Weak Financial Profile:** MTNL's total revenue continued to decline to INR8.0 billion in FY24 (FY23: INR9.4 billion; FY22: INR11.5 billion), primarily due to the decrease in the subscriber base. MTNL's debt service coverage ratio remained weak, owing to the continued operating losses over the past few years (FY24: loss of INR4.9 billion; FY23: loss of INR4.5 billion; FY22: loss of INR3.2 billion). Additionally, the gross debt increased to INR301.4 billion at FYE24 (FYE23: INR283.5 billion). The EBITDA and gross debt numbers are as per Ind-Ra's calculations.

**Delays in Debt Servicing:** MTNL has recently made delays in servicing interest and/or principal repayments for some of the bank loans, as confirmed to the agency by bankers during its banker's verification. This is owing to the tight liquidity at the standalone level in Ind-Ra's view. Historically also, MTNL had announced that it defaulted in making interest payments pertaining to one of its term loans which was due on 31 July 2022. This was due to a temporary cash flow mismatch, as confirmed by the management, and the outstanding interest payment was made on 9 September 2022.

**Intense Competition; Technological and Regulatory Risk:** The domestic telecom landscape has remained extremely competitive and dynamic. After witnessing a significant erosion over FY17-FY19, industry-wide average revenue per user has shown some recovery from FY20. The incumbents are likely to protect any major subscriber loss by offering attractive tariffs and better services. The industry has seen frequent changes in technologies as well as regulatory policies, which may make some of the investment redundant. Ind-Ra will continue to monitor the regulatory and technological landscape in the Indian telecom industry.

**Moderate Market Positioning:** MTNL caters to a wide range of customers through its offerings which can be broadly divided into fixed telephone line, enterprise business and mobile business. According to the Telecom Regulatory Authority of India, MTNL has a total wireline subscriber base of 2.2 million in Delhi and Mumbai, with a market share of 22% in Delhi in March 2024 (March 2023: 25%; March 2022: 33%) and 34% in Mumbai (39%). MTNL's wireline subscriber base and market share have been coming down since FY15 due to the intense competition from players offering 4G and 5G wireless services. MTNL had a rather small wireless subscriber base of 1.9 million in March 2024 (March 2023: 2.3 million; March 2022: 3.2 million).

**Revival Plan for MTNL:** In July 2022, the union cabinet approved a revival plan for MTNL to make the company financially viable. A few measures are as follows:

- i. Raise long-term bonds of INR176 billion backed by a sovereign guarantee for the repayment of the debt
- ii. A committee of secretaries is formed to recommend the way forward for the merger of Bharat Sanchar Nigam Limited (BSNL; NCDs rated at 'IND AAA(CE)/Stable', unsupported rating: 'IND BBB/Stable') and MTNL. The Gol would provide support of INR16 billion.
- iii. Sanctioning capex of INR225 billion for three years through equity infusions in BSNL, which includes capex of INR19 billion for MTNL as well.

As against the revival plan, the company has raised NCDs worth INR176 billion over FY23-FY24.

## Liquidity

**Poor:** MTNL's cash flows have not been adequate to support its debt servicing. On a consolidated basis, MTNL had moderate cash levels of INR0.9 billion at FYE24 (FYE23: INR 3.2 billion) and the average utilisation of the fund-based bank lines was around 86% for the 12 months ended March 2024. While the unguaranteed portion of debt reduced to about 24% in FY24 (FY23: about 34%). Ind-Ra believes that the liquidity at the standalone level remained weak. While the company has made some delays in serving interest and/or principal on bank loans at end-June 2024, the agency has less visibility on cash flows required by the company to service the debt obligations falling due in the next two-to-three quarters. That being said, the guaranteed debt backed by a payment structure mechanism continues to be serviced on time. The agency awaits greater visibility on the likely asset monetisation and/or support from the government to aid its liquidity position in the short to medium terms from the management.

## RATING SENSITIVITY

**Negative:** Not applicable

**Positive:** Timely debt servicing for at least three consecutive months could result in a positive rating action.

## 2) INSTRUMENT COVENANTS

Refer to Annexure

## 3) ADEQUACY OF CE STRUCTURE

The CE rating is driven by the absolute, unconditional, and irrevocable pre-default guarantee extended by the Gol for the timely repayment of principal and interest on the rated NCDs for the full tenure. The account is operated through a trustee-monitored payment mechanism to ensure servicing of the bond obligations on-or-before the payment due date. A tri-patriate guarantee agreement has been signed between

the DoT (on behalf of the President of India), trustee and MTNL; wherein the GoI has to obtain all consents, approvals and permissions as are necessary for enforceability of the agreement.

## ESG Issues

**ESG Factors Minimally Relevant to Rating:** Internal financial control under the financial transparency has relevance to and large impact on MTNL's credit rating. MTNL's auditors have provided a qualified opinion on its internal financial control.

Except the above, other ESG issues are credit neutral or have only a minimal credit impact on MTNL, due to either their nature or the way in which they are being managed by the entity. For more information on Ind-Ra's ESG Relevance Disclosures, please click here. For answers to frequently asked questions regarding ESG Relevance Disclosures and their impact on ratings, please click here.

## About the Company

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's operations span various telecom services including fixed telephone line, broadband, global system for mobile communication, internet, integrated services digital network and leased line services.

## Key Financials Indicators

Particulars*	FY24	FY23
Operating revenue (INR billion)	8.0	9.4
EBITDA (INR billion)	-4.9	-4.5
EBITDA margin (%)	-61.1	-47.7
Interest expense (INR billion)	26.9	23.5
Gross debt (INR billion)	301.4	283.5
Source: Ind-Ra, MTNL		
*EBITDA and gross debt are as per Ind-Ra's calculations		

## Status of Non-Cooperation with previous rating agency

Not applicable

## Rating History

Instrument Type	Current Rating/Outlook			Historical Rating/Outlook			
	Rating Type	Rated Limits (billion)	Rating	3 July 2024	11 July 2023	17 May 2023	1 November 2022
Non-convertible debentures	Long-term	INR175.71	IND AAA(CE)/Rating Watch with Negative Implications	IND AAA(CE)/Stable	IND AAA(CE)/Stable	IND AAA(CE)/Stable	IND AAA(CE)/Stable
Unsupported rating	Long-term	-	IND D	IND D	IND B-/Stable	IND B-/Stable	IND B-/Stable

## Complexity Level of the Instruments

Instrument Type	Complexity Indicator
Non-convertible debenture	Low

For details on the complexity level of the instruments, please visit <https://www.indiaratings.co.in/complexity-indicators>.

## Annexure

### Annexure I: Payment Structure for Bonds

The following payment structure (wherein 'T' is assumed to be the due date for interest and/or principal payments) is envisaged for meeting obligations of the rated bonds.

### Interest and/or Principal payment

Trigger Date	Action Point
(T-30)th day	The trustees to inform MTNL and the GoI in writing regarding the due date for payment of interest and/or principal amount so that the necessary arrangements could be made for meeting the interest and/or principal 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 and/or 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)th day	Last date by which the GoI shall deposit requisite funds in the designated trust and retention account as per the notice of invocation served by the trustees.

## Annexure II: Covenants for Bonds

Not applicable

## Annexure III:

Instrument Type	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of Issue (billion)	Rating/Outlook
NCD	INE153A08105	15 November 2022	8.00	15 November 2032	INR61.096	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08113	1 December 2022	7.87	1 December 2032	INR27.579	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08121	10 February 2023	7.78	10 February 2033	INR16.176	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08139	24 February 2023	7.80	24 February 2033	INR3.615	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08147	24 March 2023	7.75	24 March 2033	INR0.634	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08154	20 July 2023	7.59	20 July 2033	INR24.8	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08162	24 August 2023	7.61	24 August 2033	INR10.55	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08170	7 November 2023	7.80	7 November 2033	INR25.7	IND AAA(CE)/Rating Watch with Negative Implications
NCD	INE153A08188	6 March 2024	7.51	6 March 2034	INR5.56	IND AAA(CE)/Rating Watch with Negative Implications

Source: NSDL, MTNL

## Contact

### Primary Analyst

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Headquartered in Mumbai, Ind-Ra has seven branch offices located in Ahmedabad, Bengaluru, Chennai, Delhi, Hyderabad, Kolkata and Pune. Ind-Ra is recognised by the Securities and Exchange Board of India, the Reserve Bank of India and National Housing Bank.

India Ratings is a 100% owned subsidiary of the Fitch Group.

For more information, visit [www.indiaratings.co.in](http://www.indiaratings.co.in).

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## **APPLICABLE CRITERIA**

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**Treatment and Notching of Hybrids in Nonfinancial Corporates**

**Parent and Subsidiary Rating Linkage**

**Evaluating Corporate Governance**

**Policy for Credit Enhanced (CE) Ratings**

**Corporate Rating Methodology**

**Default Recognition and Post-Default Curing Period**

**Policy for Placing Ratings on Rating Watch**

**The Rating Process**

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No. CARE/NRO/RL/2024-25/1793

**Shri Sultan Ahmed**  
**Chief Financial Officer**  
**Mahanagar Telephone Nigam Limited**  
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August 22, 2024

**Confidential**

Dear Sir,

**Credit rating for Bond issue**

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

Sr. No.	Instrument	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
1.	Bonds	3,768.97	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
2.	Bonds	6,500.00	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
3.	Bonds	10,910.00	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
4.	Bonds	6,661.00	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications

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

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

- The bonds are repayable as per Annexure-I.
- The above rating is based on the credit enhancement in the form of unconditional and irrevocable guarantee from the Government of India. The guarantee is operating through a trustee-administered structured payment

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

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CIN-L67190MH1993PLC071691

mechanism for the timely transfer of required funds for repayment of the principal and interest to the designated account.

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



### **CARE Ratings Limited**

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10. CARE Ratings Ltd. ratings are not recommendations to buy, sell, or hold any securities.

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

Thanking you,

Yours faithfully,



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Encl.: As above

Disclaimer

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**CARE Ratings Limited**

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

<b>Name of the Instrument</b>	<b>ISIN</b>	<b>Date of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Size of the Issue (₹ crore)</b>
Bonds	INE153A08048	19-11-2014	8.24%	19-11-2024	3,768.97
	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
	INE153A08097	21-12-2020	6.85%	20-12-2030	
Bonds	INE153A08105	15-11-2022	8.00%	15-11-2032	10,910.00
	INE153A08113	01-12-2022	7.87%	01-12-2032	
	INE153A08121	10-02-2023	7.78%	10-02-2033	
	INE153A08139	24-02-2023	7.80%	24-02-2033	
Bonds	INE153A08147	24-03-2023	7.75%	24-03-2033	6,661.00
	INE153A08154	20-07-2023	7.59%	20-07-2033	
	INE153A08162	24-08-2023	7.61%	24-08-2033	
	INE153A08170	07-11-2023	7.80%	07-11-2033	
	INE153A08188	06-03-2024	7.51%	06-03-2034	

**CARE Ratings Limited**

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**Annexure-x**  
**Draft Press Release**  
**Mahanagar Telephone Nigam Limited**  
**August 23,2024**

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Bonds	3,768.97	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
Bonds	6,500.00	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
Bonds	10,910.00	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
Bonds	6,661.00	CARE AAA (CE) (RWN)	Placed on Rating Watch with Negative Implications
Long Term Bank Facilities	2,803.81	CARE D	Reaffirmed
Long Term / Short Term Bank Facilities	3,500.00	CARE D / CARE D	Reaffirmed
Short Term Bank Facilities	5,335.10	CARE D	Reaffirmed

Details of instruments/facilities in Annexure-1.

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

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

<b>Unsupported rating</b>	<b>CARE D [Reaffirmed]</b>
---------------------------	----------------------------

Note: Unsupported rating does not factor in the explicit credit enhancement.

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

The ratings assigned to long term debt instruments [bonds issue] of Mahanagar Telephone Nigam Limited (MTNL) principally rely on the credit enhancement in the form of an unconditional and irrevocable guarantee from the GoI, through the Department of Telecommunications (DoT), Ministry of Communications (MoC). The aforementioned ratings have been placed on rating watch with negative implications following non-adherence of timelines specified in the structured payment mechanism (SPM) in funding the designated escrow account by Government of India, pursuant to the invocation of the Government Guarantee by the Debenture Trustee (DT).

The semi-annual interest payments for ISINs INE153A08139 and INE153A08162 are due on August 24, 2024. In accordance with the structured payment mechanism (SPM) recorded in the tri-partite agreement executed among MTNL, Department of Telecommunications (DoT) and Debenture Trustee (DT), MTNL is required to fund the semi-annual interest and/or principal obligation in the designated escrow account with adequate amount 10 calendar days (T-10th) before the due date (August 14, 2024). Since MTNL is in breach of the stipulated condition, which is construed as an event of default, DT informed MTNL and DoT, vide letter dated August 14, 2024, to arrange the adequate funds in escrow account on or before August 16, 2024 (T-8th, in accordance with Debenture Trust Deed, DTD). Subsequently, on August 16, 2024, the Debenture Trustee (DT), adhering to the specified timelines outlined in the SPM, issued a 'Notice of Invocation of Guarantee' to the Government of India (GoI). As per the SPM, the GoI was required to fund the designated escrow account with the necessary amount by August 21, 2024, which is three days (T-3) before the due date. However, on August 22, 2024, as per the communication from DT to CareEdge Ratings Limited (CARE Ratings), DT had neither received confirmation from MTNL nor DoT, GoI for the deposit of required amounts in the escrow account. Hence, non-adherence to the SPM is viewed negatively from credit perspective.

CARE Ratings is in constant touch with all stakeholders and shall continue to closely monitor developments, particularly regarding the timely arrangement of funds by GoI to the designated escrow account on-or-before the due date, and take appropriate rating action.

### Rationale and key rating drivers of MTNL

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

Reaffirmation of ratings assigned to bank facilities of MTNL factors ongoing delays in debt servicing obligations towards bank borrowings due to paucity of funds at the company's end. Additionally, the rating factors slow progress in the revival package plan related to asset monetization, heavy interest burden, high human resource costs amidst a highly competitive industry. Ratings continue to factor in majority ownership of the GoI (56.25% as on March 31, 2024) and presence of nominee directors appointed by the GoI on the board of MTNL.

### **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 credit enhancement provider in the transaction thereby triggering any adverse action/event of default
- Dilution in support philosophy by the GoI towards MTNL.

#### **For standalone ratings**

##### **Positive factors**

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

##### **Negative factors**

Not applicable

#### **Analytical approach:**

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

**Unsupported/Standalone ratings:** Standalone

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

**Outlook for standalone rating:** Not Applicable

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

##### **Key strengths**

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

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

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

The company's debt instruments are backed by unconditional and irrevocable guarantee for the servicing of the entire issue (principal amount and the accrued interest), throughout the tenure of instruments, from the GoI through the DoT, MoC. A trustee-administered structured payment mechanism is in place to ensure timely payment of interest and principal obligations of bond/NCD issues through a tripartite agreement between MTNL, the trustee, and the GoI, through the DoT, MoC. The trustee will facilitate timely servicing of MTNL's obligations by the DoT, in case MTNL does not have sufficient funds to do so.

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

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

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

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

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

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

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

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

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

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

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

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

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

In October 2019, keeping in mind the legacy and the strategic importance of MTNL, the GoI announced revival plan for MTNL and BSNL and continued to support the company's funding requirements through issuance of the LoC. 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 balance sheets.

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

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

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

## Key weaknesses

### Non adherence to structured payment mechanism

The semi-annual interest payments for ISINs INE153A08139 and INE153A08162 are due on August 24, 2024. In accordance with the structured payment mechanism (SPM) recorded in the tri-partite agreement executed among MTNL, Department of Telecommunications (DoT) and Debenture Trustee (DT), MTNL is required to fund the semi-annual interest and/or principal obligation in the designated escrow account with adequate amount 10 calendar days (T-10th) before the due date (August 14, 2024). Subsequently, on August 16, 2024, the Debenture Trustee (DT), adhering to the specified timelines outlined in the SPM, issued a 'Notice of Invocation of Guarantee' to the Government of India (GoI). As per the SPM, the GoI was required to fund the designated escrow account with the necessary amount by August 21, 2024, which is three days (T-3) before the due date. However, on August 22, 2024, as per the communication from DT to CareEdge Ratings Limited (CARE Ratings), DT had neither received confirmation from MTNL nor DoT, GoI for the deposit of required amounts in the escrow account. Hence, nonadherence of prescribed timelines of SPM is viewed negatively from credit perspective. CARE Ratings is continuously monitoring the developments, particularly regarding the timely arrangement of funds by GoI to the designated escrow account on-or-before the due date and take appropriate rating action.

### Ongoing delays in debt servicing

There are ongoing delays by MTNL in servicing its debt obligations for the bank loan facilities which are not covered under the guaranteed debt by GoI. The delay is primarily due to paucity of funds on account of insufficient cash generation from operations and delay in timely support from GoI to address the existing poor liquidity position.

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

MTNL has a large employee base, and staff costs absorb a high percentage of the company's revenue. MTNL's staff cost was about ₹570 crore in FY24 (PY: ₹545 crore), which is around 78% of its revenue from operations in FY24 (around 63% in FY23). Although there has been a significant decrease in employee costs post the successful implementation of VRS, it 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). This is due to legacy issues, which are likely to remain going forward.

### Competitive Industry

The outlook of Indian telecom sector is expected to be stable, supported by an increasing rural penetration, growth in broadband subscribers and roll-out of 5G services, which will lead to improvement in average revenue per user (ARPU). The government has

also taken major reforms to address structural, process reforms, and liquidity issues of the telecom industry, which will provide requisite cashflows to support growth. In September 2021, the GoI announced major reforms for the telecom sector to address liquidity of telecom service providers (TSPs), encourage investment, and promote healthy competition in the industry. Other structural and procedural reforms announced by the GoI related to no requirement of bank guarantees for spectrum bidding has also improved liquidity position of telco companies.

**Liquidity:** Poor

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

**Assumptions/Covenants**

Not Applicable

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

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

**Applicable criteria**

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

**Adequacy of credit enhancement structure**

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

**About the Credit Enhancement Provider:** Not Applicable

**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 to upgrade the quality of telecom services, expanding telecom network, and introducing new services for India's key metros, Delhi and Mumbai. MTNL was given the 'Navratna' status in 1997 and was listed on the New York Stock Exchange in 2001. MTNL provides a host of telecom services that include fixed telephone service, GSM, Internet, Broadband, ISDN, and leased line services. MTNL has been the first to launch some of the latest telecom technologies such as ADSL2+ and VDSL2 in broadband, IPTV on MPEG4 technology, VOIP and 3G mobile service in the country. MTNL also provides telecommunication services beyond Indian boundaries through its joint ventures (JV) and subsidiaries. MTNL is present in Nepal through its JV, United Telecom Limited (UTL), and in Mauritius through its 100% subsidiary, Mahanagar Telephone Mauritius Limited (MTML). However, after obtaining unified license for all 22 circles in India, MTNL's business operations are being handled by BSNL as its outsourced agency, since September 01, 2021.

**Standalone:**

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

A: Audited UA: Unaudited; 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); RWN
	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) (RWN)
	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) (RWN)
	INE153A08113	01-12-2022	7.87%	01-12-2032		
	INE153A08121	10-02-2023	7.78%	10-02-2033		
	INE153A08139	24-02-2023	7.80%	24-02-2033		
	INE153A08147	24-03-2023	7.75%	24-03-2033		
Bonds	INE153A08154	20-07-2023	7.59%	20-07-2033	6,661.00	CARE AAA (CE) (RWN)
	INE153A08162	24-08-2023	7.61%	24-08-2033		
	INE153A08170	07-11-2023	7.80%	07-11-2033		
	INE153A08188	06-03-2024	7.51%	06-03-2034		
Fund-based - ST-Bank overdraft		-	-	-	5,254.10	CARE D
Non-fund-based - ST-BG/LC		-	-	-	78.00	CARE D
Term loan-Long term		-	-	31-12-2028	2,803.81	CARE D
Term loan-LT/ST		-	-	Proposed	3,500.00	CARE D / CARE D
Term loan-Short term		-	-	02-07-2023	3.00	CARE D
Unsupported rating-Unsupported rating (Long term)		-	-	-	0.00	CARE D

**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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (26-Jun-24) 2)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22) 3)CARE AAA (CE); Stable (02-Sep-22)	1)CARE AAA (CE); Stable (07-Oct-21)
2	Debentures-Non Convertible Debentures	LT	-	-	1)Withdrawn (26-Jun-24) 2)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22) 3)CARE AAA (CE); Stable (02-Sep-22)	1)CARE AAA (CE); Stable (07-Oct-21)
3	Bonds	LT	3768.97	CARE AAA (CE) (RWN)	1)CARE AAA (CE); Stable (03-Jul-24) 2)CARE AAA (CE); Stable (26-Jun-24) 3)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	1)CARE AAA (CE); Stable (03-Nov-22) 2)CARE AAA (CE); Stable (28-Oct-22)	1)CARE AAA (CE); Stable (07-Oct-21)

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

					3)CARE BB-; Negative / CARE A4 (18-Jun-24)	Stable / CARE A4+ (18-Jul- 23)	Stable / CARE A4+ (28-Oct- 22)	
8	Un Supported Rating-Un Supported Rating (Long Term)	LT	0.00	CARE D	1)CARE D (03-Jul-24) 2)CARE B (26-Jun-24) 3)CARE BB- (18-Jun-24)	1)CARE BB+ (07-Nov- 23) 2)CARE BB+ (18-Jul- 23)	1)CARE BB+ (03-Nov- 22) 2)CARE BB+ / CARE A4+ (28-Oct- 22) 3)CARE D (02-Sep- 22)	1)CARE BBB / CARE A3 (07-Oct- 21)
9	Bonds	LT	6500.00	CARE AAA (CE) (RWN)	1)CARE AAA (CE); Stable (03-Jul-24) 2)CARE AAA (CE); Stable (26-Jun-24) 3)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov- 23) 2)CARE AAA (CE); Stable (18-Jul- 23)	1)CARE AAA (CE); Stable (03-Nov- 22) 2)CARE AAA (CE); Stable (28-Oct- 22) 3)CARE AAA (CE); Stable (02-Sep- 22)	1)CARE AAA (CE); Stable (07-Oct- 21)
10	Non-fund-based - ST-BG/LC	ST	78.00	CARE D	1)CARE D (03-Jul-24) 2)CARE A4 (26-Jun-24) 3)CARE A4 (18-Jun-24)	1)CARE A4+ (07-Nov- 23) 2)CARE A4+ (18-Jul- 23)	1)CARE A4+ (03-Nov- 22) 2)CARE A4+ (28-Oct- 22) 3)CARE D (02-Sep- 22)	1)CARE A1+ (CE) (07-Oct- 21)
11	Bonds	LT	10910.00	CARE AAA (CE) (RWN)	1)CARE AAA (CE); Stable (03-Jul-24)	1)CARE AAA (CE); Stable	1)CARE AAA (CE); Stable	-

					2)CARE AAA (CE); Stable (26-Jun-24)	(07-Nov-23)	(03-Nov-22)	
					3)CARE AAA (CE); Stable (18-Jun-24)	2)CARE AAA (CE); Stable (18-Jul-23)		
12	Bonds	LT	6661.00	CARE AAA (CE) (RWN)	1)CARE AAA (CE); Stable (03-Jul-24) 2)CARE AAA (CE); Stable (26-Jun-24) 3)CARE AAA (CE); Stable (18-Jun-24)	1)CARE AAA (CE); Stable (07-Nov-23) 2)CARE AAA (CE); Stable (18-Jul-23)	-	-

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

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

Name of the Instrument	Detailed Explanation
<b>A. Financial covenants</b>	Not available
<b>B. Non-financial covenants</b>	
I. The company shall ensure that 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):	
<b>Trigger Date</b>	<b>Action Point</b>
(T-30) <sup>th</sup> 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) <sup>th</sup> 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) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day as above, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-1) <sup>st</sup> day*	The last date by which the GoI is to deposit the requisite funds in the designated trust and retention account per the Notice of Invocation.
*T being the due date for payment of interest/repayment of principal. In the event of the mentioned day not being a business day, it will be taken to indicate the next business day.	
The following is the structured payment mechanism for the bond issue of ₹6,500 crore (fully subscribed):	
<b>Trigger Date</b>	<b>Action Point</b>
(T-30) <sup>th</sup> 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) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of the interest/principal obligations on the bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) <sup>rd</sup> day*	The last date by which the GoI is to deposit the requisite funds in the designated trust and retention account per the Notice of Invocation served by the trustees.

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

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

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

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

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

Trigger Date	Action Point
(T-30) <sup>th</sup> 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) <sup>th</sup> day*	The designated trust and retention account is to be funded by MTNL to the tune of the interest obligations on the bonds.
(T-8) <sup>th</sup> day*	If the designated trust and retention account is not funded to the requisite extent by (T-8) <sup>th</sup> day, the trustees shall forthwith invoke the GoI guarantee by sending a Notice of Invocation to the GoI.
(T-3) <sup>th</sup> day*	The last date by which the GoI shall deposit the requisite funds in the designated trust and retention account per the Notice of Invocation served by the trustees.

\*T being the due date for payment of interest/repayment of principal. In the event of 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	Fund-based - ST-Bank Overdraft	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Term Loan-Long Term	Simple
5	Term Loan-LT/ST	Simple
6	Term Loan-Short Term	Simple
7	Un Supported Rating-Un Supported Rating (Long Term)	Simple

#### Annexure-5: Lender details

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

**Note on 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.

**Contact us**

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