

CREDIT UPDATE

18 July 2024

Mahanagar Telephone Nigam Ltd

Particulars:

Instrument**	Amount (Rs. Crs.)		Tenure	Rating Outstanding* (09 Jul 2024)
	Previous	Present		
Bonds	6500.00	6500.00	Long Term	BWR AAA (CE)/Stable
Total	6500.00	6500.00	Rupees Six Thousand Five Hundred Crores Only	

The rating with the symbol CE is based on an unconditional, irrevocable, and legally enforceable guarantee from the Government of India (GoI) for the timely payment of debt obligations. Additionally, these bonds have a structured payment mechanism, including a defined payment mechanism with the maintenance of a Trust & Retention Account (TRA).

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

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings

** Details of the Bonds are provided in Annexure-II

Brickwork Ratings (BWR) has taken note of the public disclosure of Mahanagar Telephone Nigam Ltd (MTNL) dated 11 Jul 2024 on the Indian stock exchanges (BSE and NSE) about non-funding of the designated Escrow Account for the 02nd semi-annual interest w.r.t. 7.59% MTNL Bond Series VIII-A (ISIN: INE153A08154) falling due on 20 Jul 2024 due to insufficient funds. The said bond (ISIN: INE153A08154) is not rated by BWR.

The principal and interest payments of the said bond (ISIN: INE153A08154) have an unconditional and irrevocable guarantee from the Government of India (GoI), through the Department of Telecommunications (DoT), Ministry of Communications (MoC). The guarantee operates through a trustee-administered structured payment mechanism for the timely transfer of required funds towards payment of principal and interest to a designated Escrow Account, ensuring timely debt servicing.

As per the structured payment mechanism for the bond (ISIN: INE153A08154), MTNL was required to fund the Escrow Account by the T-10th day, viz. 10 Jul 2024, the Tth day being 20 July 2024. However, due to insufficient funds, the company failed to adhere to the requirement.



The debenture trustee invoked the GoI guarantee on 12 Jul 2024 i.e. T-8th day, and GoI has since deposited the requisite funds in the designated Escrow Account, on the T-3rd day, viz. 17 Jul 2024 as per the stipulated terms of agreement. The details of these events were disclosed by MTNL in their stock exchange disclosures.

BWR has rated MTNL bonds of issue size Rs. 6500 Crs. (ISINs: INE153A08089; INE153A08097). The credit enhancement of rating of these bonds is based on the unconditional, irrevocable, and legally enforceable guarantee from the Government of India (GoI), through the Department of Telecommunications (DoT), Ministry of Communications (MoC). The guarantee operates through a similar trustee-administered structured payment mechanism for the timely transfer of required funds towards payment of principal and interest to a designated account, ensuring timely debt servicing.

The default on the bank loan obligations on 30 Jun 2024, reported by the company on 05 Jul 2024, had already raised concern about the cash flow and liquidity position of the company and is reflected in MTNL's unsupported/standalone rating of BWR D. The recent delay in funding the Escrow Account of an MTNL bond (not rated by BWR) with a GoI guarantee similar to BWR-rated bonds and similarly operated through a trustee-administered structured payment mechanism raises concern about the functioning of the structured payment mechanism of the BWR-rated bonds. The next coupon payment due date of these bonds is 12 Oct 2024 and BWR will continue to monitor the adherence to the payment mechanism of these rated bonds.

Please refer to the following link for the previous detailed rationale: [Rating Rationale dated 09 Jul 2024](#).

ABOUT THE ENTITY

Macro Economic Indicator	Sector	Industry	Basic Industry
Telecommunication	Telecommunication	Telecom - Services	Telecom - Cellular & Fixed Line Services

Mahanagar Telephone Nigam Limited (MTNL) was set up on 01 April 1986 by the GoI to upgrade the quality of telecom services, expand the telecom network, introduce new services and raise revenue for the telecom development needs of India's key metro cities of Delhi and Mumbai. MTNL is the principal provider of fixed-line telecommunication services in Delhi and Mumbai. It offers mobile services in Delhi, including four peripheral towns, namely Noida, Gurgaon, Faridabad and Ghaziabad, and Mumbai, along with areas falling under the Mumbai Municipal Corporation, New Mumbai Corporation and Thane Municipal Corporation. The company is listed on both the BSE and NSE.

HYPERLINK/REFERENCE TO APPLICABLE CRITERIA

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Credit Enhancement](#)
- [Rating Based on Government Support](#)
- [Default Recognition and Post Default Curing Period Policy](#)

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MAHANAGAR TELEPHONE NIGAM LIMITED

ANNEXURE-I

Details Of Bank Facilities Rated By BWR

Sl. No.	Name of the Bank/Lender	Type of Facilities	Long Term (Rs. Crs.)	Short Term (Rs. Crs.)	Total (Rs. Crs.)	Complexity of the Instrument*
	Nil	Nil	Nil	Nil	Nil	NA
		TOTAL	Nil	Nil	Nil	
	Total Nil					

*For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

ANNEXURE-II

Instrument Details

Instrument	Issue Date	Amount (Rs. Crs.)	Coupon Rate	Maturity Date	ISIN Particulars	Complexity of the Instrument*
Bonds	12 Oct 2020	4361.40	7.05%	11 Oct 2030	INE153A08089	Simple
Bonds	21 Dec 2020	2138.60	6.85%	20 Dec 2030	INE153A08097	Simple
	Total	6500.00	Rupees Six Thousand Five Hundred Crores Only			

*For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Note: The bonds are listed on BSE.



ANNEXURE-III
List of Entities Consolidated

Name of Entity	% Ownership	Extent of consolidation	Rationale for consolidation
Nil	Nil	Nil	Nil

Print and Digital Media

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