

**Mahanagar Telephone Nigam Ltd**

**Brickwork Ratings reaffirms the rating for bonds amounting to ₹ 6500 Crores of Mahanagar Telephone Nigam Ltd**

**Particulars**

| Instrument   | Amount (₹ Crs) |             | Tenure   | Rating*             |  |
|--------------|----------------|-------------|--|---------------------|--|
|              | Previous       | Present     |  | Previous            | Present                                  |
| <b>Bonds</b> | 6500           | <b>6500</b> | <b>Long Term</b>                                 | BWR AAA (CE)/Stable | <b>BWR AAA (CE)/Stable Reaffirmation</b> |
| <b>Total</b> | 6500           | <b>6500</b> | <b>INR Six Thousand Five Hundred Crores Only</b> |                     |  |

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for the definition of the ratings

**Note:** The company’s unsupported rating has been downgraded to BWR C

**Rating Action / Outlook**

Brickwork Ratings (BWR) has reaffirmed BWR AAA (CE)/Stable for the bonds amounting to Rs. 6,500 crs of Mahanagar Telephone Nigam Ltd (MTNL or the company).

The rating for the bonds has derived credit enhancement from the sovereign guarantee available from the Government of India (GoI), along with a structured payment mechanism, to ensure timely debt servicing to bondholders.

The rating continues to draw strength from the company’s ownership (majorly owned by the GoI), strategic importance to the government and structured payment mechanism for the servicing of dues to bondholders.

The outlook has been maintained at Stable as the company is expected to continue receiving support from the GoI in future as well.

BWR has revised the unsupported ratings of the company to BWR C from BBB- due to default in meeting debt obligations as per the company filing to the stock exchanges, although default has been subsequently regularised as per the company filing to the stock exchanges.

**Key Rating Drivers**

**Credit Strengths:-**

Availability of Sovereign Guarantee for Bonds: The GoI provided a sovereign guarantee for the bonds via a guarantee deed dated 9 September 2020, covering both the principal and normal interest due to bondholders.

Structured Payment Mechanism for Bonds: The bonds also have a structured payment mechanism to ensure the timely payment of dues to bondholders. MTNL has opened a designated Trust and Retention Account (TRA), monitored by a Debenture Trustee (DT),

through which payments are being made to the bondholders. The mechanism is as explained below:

- ➔ T-30th Day: The Trustee informs MTNL and the GoI in writing regarding the due date for the payment of the interest/principal amount so that necessary arrangements are made.
- ➔ T-10th Day: The TRA is funded by MTNL to the tune of the interest/principal obligations on the bonds.
- ➔ T-8th Day: If the TRA is not funded to the requisite extent, the DT shall invoke the Guarantee by sending a Notice of Invocation to the GoI.
- ➔ T-3rd Day: It is the last date by which the GoI shall deposit requisite funds in the TRA as per the Notice of Invocation served by the DT.

*Ownership and Strategic Importance:* MTNL's majority ownership is with the GoI, with demonstrated support from the GoI in the form of providing guarantees and a letter of comfort for the company's debt. Additionally, the company is of strategic importance to the government, considering that it is one of the only two public sector undertakings in the telecom sector.

**Credit Risks-:**

*Current Weak Operational and Financial Performance:* The company has been reporting considerable net losses. The company's major revenue comes from landline users, and with the reduction in the usage of landline services, revenues have been coming down continuously.

**Analytical Approach and Applicable Rating Criteria**

BWR has relied on the company's standalone audited financial statements till FY22 and various other developments to arrive at the rating.

BWR has derived credit enhancement for the rating assigned to the bonds from the sovereign guarantee available from the GoI, including a structured payment mechanism for paying dues to bondholders. In addition, continuous support from the government has been factored in our rating assessment.

The methodology applied by BWR is highlighted in the criteria mentioned in the end.

### Rating Sensitivities

**Downward:** Any major loss of subscribers, dilution in the expected support from the GoI and the company's inability to monetise its assets over the next few years.

### Liquidity Position: Adequate

Comfort is drawn on the liquidity front from the guarantee provided by the GoI for bonds and a defined T-structure for coupon and principal payments.

### Company Profile

Mahanagar Telephone Nigam Limited (MTNL) was set-up on 1 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.

### Key Financial Indicators

| Particulars             | Units   | FY21 (A)  | FY22 (A)  |
|-------------------------|---------|-----------|-----------|
| Revenue from Operations | Rs. Crs | 1303.64   | 1069.72   |
| EBITDA                  | Rs. Crs | 49.96     | -331.31   |
| PAT                     | Rs. Crs | -2461.79  | -2602.59  |
| Total Debt              | Rs. Crs | 25528.01  | 26750.25  |
| Tangible Net Worth      | Rs. Crs | -18471.74 | -20754.41 |

*Note: All financials have been reclassified as per BWR standards.*

### Non-cooperation With Previous Rating Agency If Any: NA

### Rating History for the past three years (including suspended/withdrawn ratings)

| Instrument   | Current Rating (2022) |                |  | Rating History      |                     |      |
|--------------|-----------------------|----------------|--|---------------------|---------------------|------|
|              | Tenure                | Amount (₹ Crs) | Rating   | 2021                | 2020                | 2019 |
| <b>Bonds</b> |                       |                |  |                     |                     |      |
| Bonds        | Long Term             | 6500           | BWR AAA (CE)/Stable                              | BWR AAA (CE)/Stable | BWR AAA (CE)/Stable | NA   |
| <b>Total</b> |                       | <b>6500</b>    | <b>INR Six Thousand Five Hundred Crores Only</b> |                     |                     |      |

### Complexity Levels Of The Instruments: Simple

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference To Applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Rating based on Government Support](#)
- [Credit Enhancement](#)

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**Mahanagar Telephone Nigam Ltd**

**Annexure I - Details of Rated Bonds**

| Instrument | ISIN         | Amount (Rs. Crs) | Date of Issue | Date of Maturity | Coupon Rate |
|------------|--------------|------------------|---------------|------------------|-------------|
| Bonds      | INE153A08089 | 4361.40          | 12 Oct 2020   | 11 Oct 2030      | 7.05%       |
| Bonds      | INE153A08097 | 2138.60          | 21 Dec 2020   | 20 Dec 2030      | 6.85%       |



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