Rating Rationale

07 October 2026

Mahanagar Telephone Nigam Limited

SUMMARY OF RATING ACTION

Instrument	Tenure	Amount (₹ crore)		Rating Action & Outlook		Regulator
		Previous	Present	Previous (09 Oct 2025)	Present (07 Oct 2026)	
Bonds	Long Term	6500.00	**6500.00**	BWR AA+ (CE) Rating Watch with Negative Implications/ Reaffirmation	**BWR AAA (CE)/Stable Removed from Rating Watch with Negative Implications, assigned an Outlook, and Upgraded**	SEBI
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 (Reaffirmation)

Note: Unsupported rating does not factor in the explicit credit enhancement.
Note:
1. Please refer to the BWR website www.brickworkratings.com for the definition of the ratings
2. Refer to Annexures I, II, and III for details of rated bank loan facilities, debt instruments, and the List of Entities Consolidated.

RATING ACTION/OUTLOOK

Brickwork Ratings (BWR) has upgraded the supported rating from BWR AA+ (CE) to BWR AAA (CE), removed it from "Rating Watch with Negative Implications", and assigned a "Stable" outlook for Bonds amounting to Rs. 6500 Crs. of Mahanagar Telephone Nigam Limited. The unsupported rating has been reaffirmed at BWR D.

The rating upgrade of the Bonds of Mahanagar Telephone Nigam Limited (MTNL or the company) factors in consistent compliance with the trustee-monitored structured payment mechanism by the company and timely payment of the coupons of the GoI guaranteed Bonds. The rating was downgraded on 08 Oct 2024 due to the company's inability to fund the designated Trust & Retention Account (TRA) (or, escrow account) of the Bond (ISIN: INE153A08089) for the scheduled coupon payment of 12 Oct 2024 (T) by T-10th day as stipulated under

the structured payment mechanism (SPM) of the Tripartite Agreement (TPA) signed among MTNL, Department of Telecommunications (DoT), Ministry of Communications, Govt. of India and SBICAP Trustee Company Limited (debenture trustee or DT). Such an event was considered a payment default as per the Term Sheet of the issue. BWR notes that while the company was unable to fund the escrow account for many subsequent scheduled coupon payments, GoI funded the escrow account within the T-3th day timeline, with occasional one-day delays, which eventually resulted in the company paying the coupon in full on the due dates. This mechanism has worked well to date. BWR also notes that the company has been able to make scheduled coupon payments without GoI guarantee invocation since August 2026, primarily backed by the proceeds of asset monetisation.

BWR also considers the service agreement between MTNL and Bharat Sanchar Nigam Limited (BSNL) entered into on 22 Nov 2024 under which BSNL has been entrusted with the responsibility to undertake the maintenance and operational activities of MTNL's telecom services w.e.f. 01 Jan 2025. BWR understands the steps being taken by the company with the help of GoI for a viable and acceptable resolution plan for bank loans on which the company has been defaulting since mid-2024. Asset monetisation efforts of the company have started delivering results, and MTNL was able to realise Rs. 419.15 Crs. through this in FY26. The Board of Directors of MTNL has recently approved the sale and transfer of land area of 20,895.60 Sqm in Mumbai at the sale value of Rs. 891.53 Crs. The proceeds of asset monetisation are expected to meet the requirements of debt servicing, capex, and other purposes.

Brickwork Ratings (BWR) had placed the rating of Rs. 6500 Crs. of Bonds of Mahanagar Telephone Nigam Ltd (MTNL or the company) on "Rating Watch with Negative Implications" on 12 Sep 2024, factoring in the continued non-adherence of the company to the structured payment mechanism as stipulated for the GoI guaranteed Bonds. It has been observed that the company was able to make timely coupon payments after GoI funding of the escrow account upon the GoI guarantee invocation. Concerns regarding timely coupon payments associated with the company's inability to fund its escrow account have largely been resolved. Although some stress in the mechanism appeared when the GoI took more than the stipulated time to fund the escrow account, the funds were received to make the coupon payments in time. "Payment defaults" did not translate into actual default in coupon payments. Since August 2026, the company has been able to make coupon payments without the GoI guarantee invocation. Based on these developments, BWR has decided to remove the rating of MTNL's Bonds from "Rating Watch with Negative Implications".

The 'Stable' outlook reflects Brickwork Ratings' (BWR) expectation that the company will continue to adhere to the structured payment mechanism for the GoI-guaranteed bonds over the near to medium term. The outlook may be changed to 'Negative' in the event of any stress observed in the compliance with the structured payment mechanism.

BWR notes that the company's loan accounts with Bank of India, Union Bank of India, Punjab National Bank, State Bank of India, UCO Bank, Punjab and Sind Bank, and Indian Overseas Bank have been classified as NPAs. However, the company continues to maintain its escrow account with Bank of India for the debt servicing of BWR-rated Bonds. This account remains operational, as confirmed by the DT.

BWR will continue to monitor the adherence to the structured payment mechanism and developments regarding the company's debt servicing on all MTNL-issued bonds, including the facilities and instruments not rated by BWR, along with other material events impacting its business and financial risk profile, and take appropriate rating action upon periodic assessments of such developments.

ADEQUACY OF CREDIT ENHANCEMENT STRUCTURE

BWR has assessed the attributes of the availability of an unconditional, irrevocable, and legally enforceable guarantee for principal and interest as a continuing obligation by GoI. In case the company fails to fund the designated Trust & Retention Account (TRA) to the tune of the interest/principal obligations on the Bonds, GoI shall deposit the requisite funds in the designated TRA as per the Notice of Invocation served by the Trustee as per the terms of the Guarantee Agreement signed by GoI, Trustee (SBICAP Trustee Company Limited), and the company.

KEY COVENANTS OF THE INSTRUMENT/FACILITY

- Issuer: Mahanagar Telephone Nigam Limited (MTNL)
- Issue Size: Two tranches of Rs. 4361.40 Crs. (Tranche I) and Rs. 2138.60 Crs. (Tranche II) respectively.
- Type of Instrument: GoI Guaranteed, Unsecured, Rated, Listed, Redeemable, Non-Convertible, Taxable Bonds in the nature of Debentures.
- Face Value: Rs. 10,00,000/- only each.
- Interest Rate: Fixed (7.05% for Tranche I and 6.85% for Tranche II), to be paid semi-annually.
- Objects of the Issue: Refinancing of the existing debt.
- Tenor: 10 years; bullet repayment of the principal at the end of the tenor.
- Backed by an unconditional, irrevocable, and legally enforceable guarantee from the GoAP.
- Maintenance of Trust & Retention Account (TRA) as part of the structured payment mechanism to ensure timely payment of Bonds' coupon and principal as and when due.
- Under the mechanism, the Trustee is to inform MTNL and GoI in writing on the T-30th day regarding the due date for payment of the interest/principal amount so that the necessary arrangements can be made for meeting the interest/principal payment obligations on the Bonds. (T is the due date of interest payment/principal repayment)
- By the T-10th day, the designated TRA is to be funded by MTNL to the tune of the interest/principal obligations on the Bonds.
- If the designated TRA is not funded to the requisite extent by the T-8th day, the Trustees shall forthwith invoke the GoI Guarantee by sending a Notice of Invocation to GoI.
- The T-3rd date is the last date by which GoI shall deposit the requisite funds in the designated TRA as per the Notice of Invocation served by the Trustees.
- Put/Call Option: No.
- Both the Bonds (ISINs: INE153A08089; INE153A08097) are listed on BSE.

- The rated bonds will have semi-annual coupon payments and bullet principal repayment at the end of tenure.

ANALYTICAL APPROACH & APPLICABLE RATING CRITERIA

Analytical Approach	Comments
Applicable Rating Criteria	• General Criteria • Approach to Financial Ratios • Infrastructure Sector • Credit Enhancement • Ratings Based on Government Support • Default Recognition and Post-Default Curing Period
Parent/Group/Government Support	Government Support
Analytical Approach (Consolidation/Standalone)	For arriving at unsupported ratings, BWR has considered the standalone financials of MTNL. The CE rating derives credit enhancement from the unconditional, irrevocable, and legally enforceable guarantee from the GoI.

KEY RATING DRIVERS WITH DETAILED DESCRIPTION

Credit Strengths:

- **Guarantee and support by GoI:** The GoI has provided a sovereign guarantee for the bonds via a guarantee deed dated 09 Sep 2020, covering both the principal and normal interest due to bondholders. The guarantee is irrevocable, unconditional and legally enforceable.

- **Availability of a Structured Payment Mechanism:** 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) with Bank of India, monitored by a Debenture Trustee (DT), through which payments are being made to the bondholders.

- **Ownership and strategic importance:** MTNL's majority ownership is with the GoI, with demonstrated support from the GoI in the form of providing guarantees 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

- **Weak financial and operational performance:** The company has been continuously reporting considerable net losses, and its net worth has been fully eroded. The company's major operating revenue comes from infrastructure leasing. Revenue from telecom services has come down over time.

- **Continuous default on bank loan borrowings:** MTNL has been defaulting in servicing of its bank loans since June 2024. Its loan accounts with Union Bank of India, Bank of India, Punjab National

Bank, State Bank of India, UCO Bank, Punjab and Sind Bank, and Indian Overseas Bank are in the NPA category. Total overdue amount on interest and principal on 31 Aug 2026 was Rs. 1859.91 Crs. and Rs. 2195.72 Crs., respectively. The company has reported being in talks with the lenders for a resolution plan.

- **Weak financial performance and high indebtedness:** Weak financial performance over the past few years has resulted primarily from high competition among industry peers and the inability of the company to keep pace with technological upgradation, resulting in a declining subscriber base. High operational costs, especially employee expenses and high finance costs, have resulted in high PAT losses over the years, resulting in complete erosion of tangible net worth. Total debt level has increased to Rs. 35425.26 Crs. on 31 Mar 2026.

RATING SENSITIVITY FACTORS

Upward: Not applicable.

Downward:

- Non-adherence to the trustee-administered structured payment mechanism by the company
- Any change in the operational status of the designated escrow account of the BWR-rated Bonds to inactive/frozen, leading to disruption in the escrow payment mechanism
- Any dilution in the support being provided by the Government of India
- Any delay in receipt of requisite funds in the designated escrow account

LIQUIDITY POSITION - Adequate

On a standalone basis, the company's liquidity is poor, as manifested by the repeated defaults on bank loan obligations since June 2024. However, BWR-rated bonds draw strength from the unconditional, irrevocable, and legally enforceable guarantee of the GoI for timely principal repayment and normal interest payment. Since August 2026, the company has been able to service coupon payments without GoI guarantee invocation. The company reported cash and cash equivalents of Rs. 733.37 Crs. on 31 Mar 2026.

ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG) PRACTICES

Not applicable. Based on the assessment, the entity's ESG profile is not expected to materially affect its creditworthiness.

COMPANY PROFILE

Industry Classification			
Macroeconomic 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.

KEY FINANCIAL INDICATORS - ISSUER: Standalone

Standalone Financial Indicators (in ₹ crore)	Units	FY24 (A)	FY25 (A)	FY26 (A)	Q1FY27 (UA)
Operating Revenue	Rs. Crs.	728.47	628.95	887.27	200.08
EBITDA	Rs. Crs.	-529.65	-483.23	-144.61	-33.20
PAT	Rs. Crs.	-3302.19	-3323.51	-3102.94	-841.07
Tangible Net Worth	Rs. Crs.	-25406.38	-28318.21	-30899.58	NA
Total Borrowings	Times	30027.82	32368.34	35425.26	NA

A: Audited; UA: Unaudited; NA: Not Available; Note: These are the latest available financial results. All ratios as per BWR's calculations.

RATING HISTORY FOR THE PREVIOUS THREE YEARS

Instrument	Current Rating (Oct 2026)			Rating History					
Type	Tenure	Amount (Rs. Crs.)	Rating	2005		2024		2023	
				Date	Rating	Date	Rating	Date	Rating
Bonds	Long Term	6500.00	BWR AAA (CE)/Stable Removed from Rating Watch with Negative Implications, assigned an Outlook, and Upgraded Unsupported: BWR D Reaffirmation	08 Apr 2025	BWR AA+ (CE) Rating Watch with Negative Implications/ Reaffirmation Unsupported: BWR D Reaffirmation	09 Jul 2024	BWR AAA (CE)/Stable Reaffirmation Unsupported: BWR D Downgrade	15 Nov 2023	BWR AAA (CE)/Stable Reaffirmation Unsupported: BWR C Reaffirmation
				09 Oct 2025	BWR AA+ (CE) Rating Watch with Negative Implications/ Reaffirmation Unsupported: BWR D Reaffirmation	12 Sep 2024	BWR AAA (CE) Rating Watch with Negative Implications Unsupported: BWR D Reaffirmation		
						08 Oct 2024	BWR AA+ (CE) Rating Watch with Negative Implications/ Downgrade Unsupported: BWR D Reaffirmation		
Total		**6500.00**	**Rupees Six Thousand Five Hundred Crores Only**						

COMPLEXITY LEVEL OF THE RATED INSTRUMENTS

Instrument	Complexity Indicator
Fund Based (Bond)	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on BWR's website www.brickworkratings.com/download/ComplexityLevels.pdf

NON-COOPERATION WITH PREVIOUS CREDIT RATING AGENCY (IF ANY):

Not Applicable

ANY OTHER INFORMATION: Not Applicable

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ANNEXURE I: Details of Instruments / Facilities

Name of the Instrument / Facility	Long Term/ Short Term	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Amount (₹ Cr)	Rating Assigned and Rating Outlook	Regulator
Bonds	Long Term	INE153A08089	12 Oct 2020	7.05%	11 Oct 2030	4361.40	BWR AAA (CE)/ Stable	SEBI
Bonds		INE153A08097	21 Dec 2020	6.85%	20 Dec 2030	2138.60		
Total						**6500.00**		

Note: All the BWR-rated Bonds are listed on BSE Ltd.

ANNEXURE II: Details of Bank Facilities

Type	Facilities	Tenor	Bank 1	Bank 2	Bank 3	Total	Regulator
Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

ANNEXURE III: List of Entities Consolidated

Name of Entity	% ownership	Extent of consolidation	Rationale for consolidation
NA	NA	NA	NA

Annexure IV: List of Instruments and Names of Regulators of the Instruments

As required by SEBI CRA Circular dated Feb 10, 2026, a list of activities or instruments falling under the purview of various FSRs, along with the names of respective FSRs, is being disclosed below:

No.	Instrument/Activity Name	Regulator of the Instruments
1	Listed/Proposed to be listed bonds/debentures/preference share (all securities)	SEBI
2	Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities)	MCA
3	Listed PTCs / Securitisation Notes (originated by entities regulated by RBI)* $	RBI

4	Listed PTCs / Securitisation Notes (originated by entities not regulated by RBI)*	SEBI
5	Unlisted PTCs / Securitisation Notes (originated by entities regulated by RBI)*	RBI
6	Listed Commercial Paper and NCDs with original maturity less than 1 year	RBI
7	Unlisted Commercial Paper and NCDs with original maturity less than 1 year	RBI
8	Loan Facilities (Fund/Non-Fund Based) from Bank/NBFCs/NHB/FIs ^	RBI
9	External Commercial Borrowings and other similar borrowings	RBI
10	Certificates of Deposit	RBI
11	Fixed Deposits raised by NBFCs, HFCs, FIs	RBI
12	Fixed Deposits raised by corporates other than NBFCs, Banks, HFCs, FIs	MCA
13	Inter Corporate Deposits/Loans extended by Corporates	MCA
14	Borrowing programme ~	-
15	Issuer Ratings #	-
16	Credit Ratings for Capital Protection Oriented Schemes (by Mutual Funds and AIFs)	SEBI
17	Credit quality ratings (CQRs) for Mutual Fund Schemes and Schemes of AIFs	SEBI
18	Listed Security Receipts $	RBI
19	Unlisted Security Receipts	RBI
20	Independent Credit Evaluation (ICE)	RBI
21	Expected Loss Ratings (Listed/Proposed to be listed bonds/debentures/preference share (all securities))	SEBI
22	Expected Loss Ratings (Unlisted/Proposed to be unlisted Bonds/Debentures/ Preference share (all securities))	MCA
23	Unlisted PTCs / Securitisation Notes (originated by entities not regulated by RBI) *	Investor-side regulator such as IRDAI, PFRDA @

* Includes securitisation transactions involving assignee payout, acquirer's payout.

~ The rated instrument may involve issuance of different instruments such as debt securities (listed or otherwise), bank loans, commercial paper (listed or otherwise), etc. The regulator of the instrument may accordingly be SEBI, RBI or MCA and can only be determined upon issuance. In PRs subsequent to issuance(s), Brickwork Ratings India Private Limited (BWR) shall separately capture the rated quantum details along with names of respective regulators.

^ Includes bank facilities such as liquidity facility, second loss facility that are part of securitisation transactions.

There is no instrument being rated and hence, the Regulator of the Instrument is not applicable. The rating scale and definitions are being followed as stipulated in SEBI Master Circular for CRAs.

@ These ratings were assigned during the regulatory regime prior to introduction of SEBI CRA Circular dated Feb 10, 2026 and the investor side regulators have accordingly been included.

$ By virtue of the instrument being listed, SEBI acts as the regulator for listing and related issues.

Grievance Management

For any grievances relating to rating of instruments regulated by SEBI, please contact **sebigrievance@brickworkratings.com**. Kindly note that for activities or instruments falling under the purview of FSRs other than SEBI, the grievance/dispute redressal mechanisms and investor protection mechanisms provided by SEBI shall not be available.

For any grievances relating to rating of instruments regulated by other FSR (Financial Services Regulators), please contact **grievance@brickworkratings.com**

Disclosure of Conflict of Interest

BWR Board of Directors have no influence over rating decisions, nor do they sit on the rating committees or review, discuss, or evaluate any credit ratings during the Board meetings.

About Brickwork Ratings

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Brickwork offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporate and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Urban Local Bodies and Municipal Corporations.

Disclaimer:

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