

MILLENNIUM TELECOM LIMITED

CHAPTER XI ORGANISATIONAL SETUP AND FINANCIAL MANAGEMENT

11.1 Introduction

Millennium Telecom Limited (Company), with its registered office located in Mumbai, was incorporated in February 2000 under the Companies Act 1956, as a wholly owned subsidiary of Mahanagar Telephone Nigam Limited (MTNL). The Company obtained a category 'A' licence from the Department of Telecommunications (DoT) for providing Internet services throughout India. It signed a Memorandum of Understanding (MOU) with the Himachal Pradesh State Electronics Development Corporation Limited (a Government of Himachal Pradesh Enterprise) in July 2001 for providing Internet Software Package (ISP) services at Shimla, Himachal Pradesh. The services commenced with effect from 25 February 2002. During 2002-03, the Company also decided to associate with State Electronic Development Corporations to provide Internet services in various States and accordingly, signed MOUs with Karnataka State Electronics Development Corporation, West Bengal Electronics Industry Development Corporation Limited and Beltron Communications Limited, Patna for providing Internet services in Karnataka, West Bengal and Bihar, respectively. The Company has also been providing online tendering services, namely 'Nivida Sewa' and 'Tender Mart' to its clients, mainly Mahanagar Telephone Nigam Limited (MTNL). The ISP Shimla project, however, was closed with effect from January 2004 due to consecutive losses in the last two years.

11.2 Organisational setup

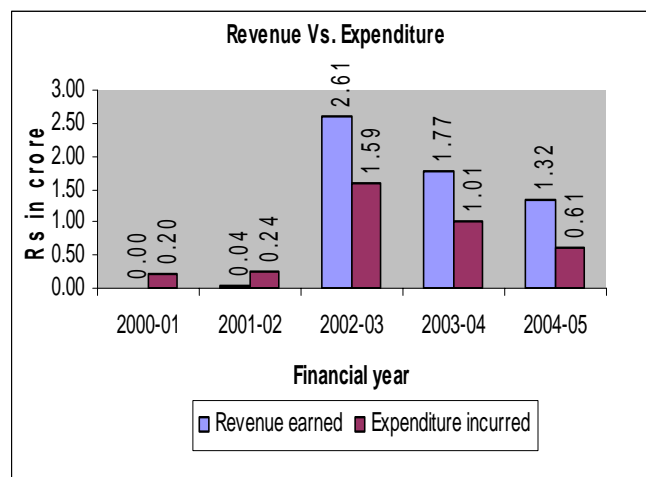
The administrative and overall control of business activities of the Company are vested with the Board of Directors headed by the Chairman (CMD of MTNL), who is assisted in day to day management by a Chief Operating Officer and an Internal Financial Advisor. Besides, there are three other Directors (all from MTNL) on the Board of the Company.

11.3 Investment

Against the authorised equity share capital of Rs 100 crore, the paid-up capital as on 31 March 2005 was Rs 2.88 crore, which was totally subscribed by MTNL, its holding Company.

11.4 Financial Performance

At present, revenue is generated from e-tendering services, sale of ISP packs and collections from cyber café services. However, during its first year of operation (2000-01), no profit and loss account was prepared since the Company did not undertake any commercial activity and only incurred pre-operative expenditure of Rs 20 lakh. During 2001-02, 2002-03, 2003-04 and 2004-05, the Company earned revenue of Rs 4 lakh, Rs 2.61 crore*, Rs 1.77 crore* and Rs 1.32 crore against which expenditure incurred was Rs 24 lakh, Rs 1.59 crore*, Rs 1.01 crore* and Rs 61 lakh, respectively.



Hence, the Company incurred a net loss of Rs 20 lakh during each of the years 2000-01 and 2001-02, whereas it earned net profit before tax of Rs 1.02 crore*, Rs 76 lakh* and Rs 71 lakh during 2002-03, 2003-04 and 2004-05, respectively.

11.5 Manpower

The Chief Operating Officer manages the day to day business activities of the Company, mainly with the help of employees of MTNL. The total manpower strength of the Company as at the end of each of the last five years ending on 31 March 2005 is given below:

Year	Group A	Group B	Group C	Group D	Total manpower
2000-01	1	2	Nil	1	4
2001-02	1	2	Nil	1	4
2002-03	1	2	2*	1	6
2003-04	3	8	1*	3*	15
2004-05	2	3	0	1	6

* These figures, relating to the years 2002-03 and 2003-04 have been recast by the Management.