

CHAPTER XII ORGANISATIONAL SETUP AND FINANCIAL MANAGEMENT

Millennium Telecom Limited

12.1 Introduction

Millennium Telecom Limited (MTL), 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, MTL 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. MTL 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 31 January 2004 due to consecutive losses in the last two years.

12.2 Organisational setup

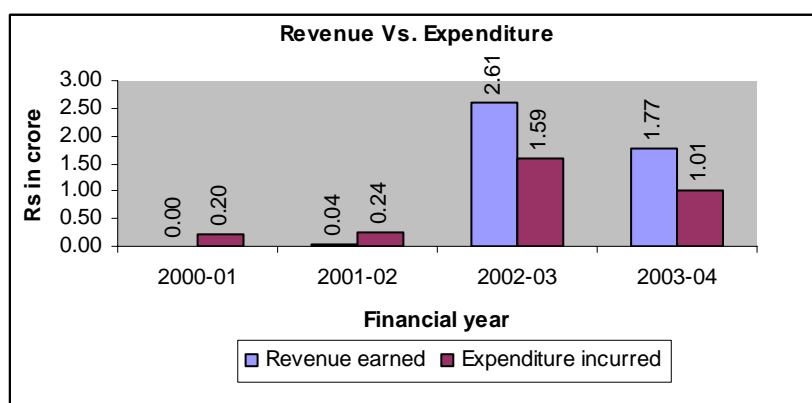
The administrative and overall control of business activities of MTL are vested with the Board of Directors headed by the Chairman and Managing Director (CMD of MTNL), who is assisted in day to day management by a Chief Operating Officer, an Internal Financial Advisor and a Deputy General Manager (Engineering).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

12.3 Investment

Against the authorised equity share capital of Rs 100 crore, the paid-up capital as on 31 March 2004 was Rs 2.88 crore, which was totally subscribed by MTNL, its holding Company.

12.4 Financial Performance

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



Hence, MTL incurred a net loss of Rs 20 lakh during the year 2001-02, whereas it earned net profit before tax of Rs 1.02 crore and Rs 76 lakh during 2002-03 and 2003-04, respectively.

12.5 Manpower

The Chief Operating Officer manages the day to day business activities of MTL, mainly with the help of employees of MTNL. The total manpower strength of MTL as at the end of each of the last four years ended on 31 March 2004 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	Nil	1	4
2003-04	3	8	Nil	Nil	11

* These figures, relating to the year 2002-03 have been changed by the Management in the accounts for the year 2003-04.