

Videsh Sanchar Nigam Limited

Annual Report 1997-98

Report

junction

now!

83 3848880 022 3624020 011 8747310

84 366740

India's Telecommunications Gateway to the World





now

is the time.	responses.
technology is	responses are
changing lives.	changing
lives are	everything.
changing	everything used
priorities.	to be
priorities are	'tomorrow'.
changing	tomorrow will
business.	belong to those
business is	who change
changing	today. today is
attitudes.	not good
attitudes are	enough for us.
changing	for us, it is

now!


 Report Junction.com

CONTENTS

Mission Statement **3** *Achievements in 1997-98* **6** *Milestones* **6** *Where VSNL is headed* **7** *Post balance sheet developments* **8** *Corporate milestones in 1997-98* **11** *How VSNL is making your life easier* **12** *Eagle vision* **20** *Internet banking is the road to the future* **28** *Across the world - in an instant* **30** *Window shopping from home* **32** *Information by the minute* **34** *Clearing the vision* **36** *Getting the voice in from the cold* **38** *Cutting across boundaries in a flash* **40** *Moving millions every instant* **42** *Opinions* **44** *Business analysis and management practices* **46** *Ratios* **58** *Ratio analysis* **59** *Analysis of 1997-98* **66** *The future* **68** *Investor relations and shareholder value* **70** *Frequently asked questions* **74** *The report of the Board of Directors* **78** *Five years at a glance* **92** *Auditors' Report* **94** *Balance Sheet* **98** *Profit and Loss Account* **99** *Schedules* **100 - 120** *Balance Sheet Abstract* **121** *Cash flow statements* **123** *Annexure 1 to Directors' report* **125** *Addendum 1 to Directors' report* **127** *CAG report* **129** *Financial Statements as per International accounting standards* **137** *Brave new world* **155** *Glossary* **159** *Shareholders' information* **162** *Board of Directors* **164**

To create a global and seamless network of information superhighways.
To connect people and computers cost-effectively and efficiently. Anytime. Anywhere.

Motto : To continuously enhance the quality of services, improve shareholder value, achieve a high degree of customer confidence by upgrading service quality and to foster excellence amongst the work force.

What we commit to

In addition to the mission statement of the company, VSNL will strive to provide prompt, courteous, dependable and competitive services. It will aim to become a pioneer in the field of information technology and new fields of applied science, meet the complete needs of its customers, continuously enhance the quality of its services, promote and foster excellence among the work force, maximise return on investment, deal fairly, expand its assets and the range of its contemporary services to keep India at par with the best in information technology.



Videsh Sanchar Nigam Limited is India's gateway

These cover international telephony, leased line access, global mobile satellite communication, global managed data service, gateway packet switched service, video-conferencing, electronic data interchange, the Internet and e-mail access among other services. VSNL also enables international calls to be relayed to customers throughout the country.

to the world. It is India's super vehicle

VSNL is also one of the fastest growing Indian companies. The telephone minutes handled since 1990-91 has increased 4.57 times. As a result, revenue increase since 1990-91 has 16.27 folded; the profit after tax has increased 12.47 times during the period. In 1997-98, VSNL reported a profit after tax of Rs 9.68 billion, registering a return of 27.07 per cent on the average funds utilised for the year.

in Information Technology. The company

VSNL's strength and success is ascribed to its aggressive network expansion during the Nineties. The company's gross block has increased from Rs 1.86 billion in 1990-91 to Rs15.22 billion in 1997-98 corresponding to an increase in the simultaneous call-carrying capacity from 3,000 to 15,000.

enables Indians to reach out to the world

The company has increased international access gateways from 4 to 6, set up 17 earth stations besides connecting with advanced cable projects like FLAG, Sea-Me-We2 and 3.

This infrastructure enables VSNL to deliver a competent service to its broad spectrum of users in India and abroad.

through basic and value-added services.

VSNL's shares are listed on the National, Mumbai, Delhi, Calcutta and Chennai stock exchanges.

The company's Global Depository Receipt is listed on the London stock exchange.

The Indian government holds 64.97 per cent of the company's equity.

The total overseas holding in VSNL is around 25.43 per cent (as on 31 March, 1998).

The rest is owned by the Indian institutions and the public.

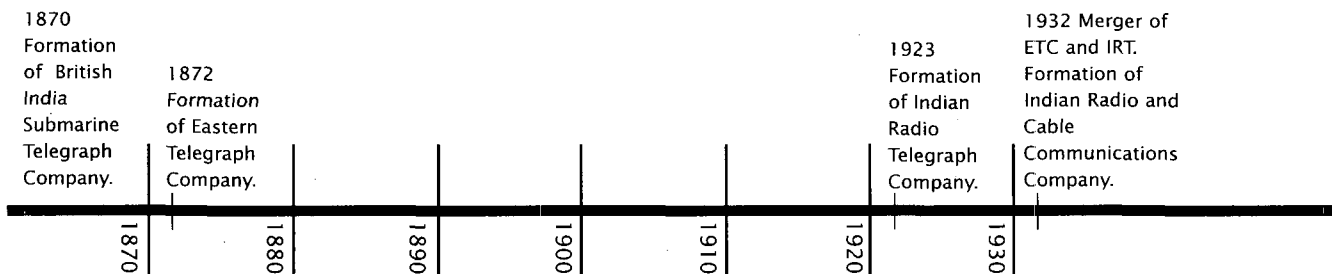
Achievements in 1997-98

- An increase in profits by 91.78 per cent. This is what drove the increase : volume growth, increased operational efficiency, better network utilisation and the depreciation of the rupee.
- A 21.63 per cent increase in the telephony traffic to 1685 paid million minutes spurred a 21.77 per cent increase in overall revenue.
- Margins rose : the pre-interest profit as a component of the total income increased

The international telecommunications industry is headed for exciting times. A time in which tariffs will be lower and the number of services will expand considerably. Customer convenience and choice are expected to be the key drivers of telecom companies. To prepare themselves for this scenario, a number of telecom companies are consolidating their strengths. This is evident in the number of mergers and strategic alliances taking place the world over.

VSNL intends to deliver customer value through two initiatives over the coming years : leverage its existing and proposed infrastructure as well as capitalise on opportunities provided by partners. This will help the company exploit its

Milestones



from 16.12 per cent in 1996-97 to 22.21 per cent in 1997-98.

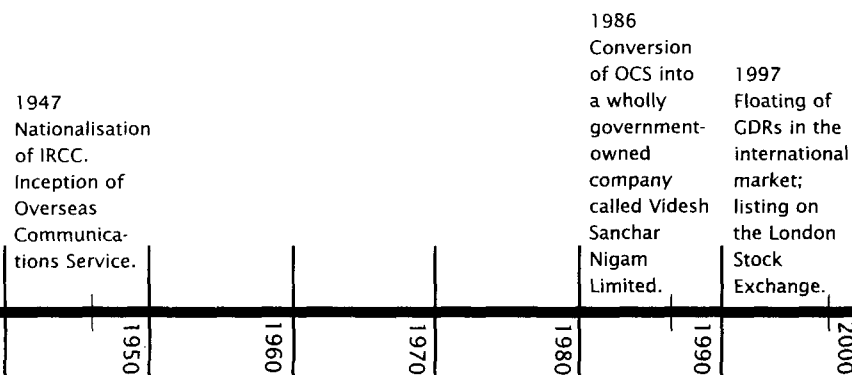
- Even though value-added services comprised only 4.46 per cent of the total income of the company, revenues from that business segment (excluding Inmarsat and Intelsat) increased by 53 per cent. The portfolio of value-added services was enhanced.
- New gateways at Ernakulam and Jalandhar became operational, taking the company closer to the customer.

Where VSNL is headed

considerable locational advantage more comprehensively. In view of this, the company has outlined an investment of Rs 50 billion during the Ninth Plan (1997 to 2002). This investment will strengthen VSNL's network further in addition to bringing a number of value-added services to the customer at the touch of a button.

7

A principal part of the funding for this expansion in infrastructure has already transpired through the GDR issue in 1997. The company expects to raise the rest through internal accruals - VSNL is confident of maintaining a 15 per cent growth in turnover - and debt over the foreseeable future.



This is a summary of all important developments affecting VSNL following 31 March, 1998

Post-balance sheet date developments

Corporate developments

- VSNL is now a 'Navratna Company' - one of the nine jewels amongst PSUs. It is also upgraded to a schedule "A" Company - the highest rank rating in public sector companies.
- VSNL was granted the status of a Star Trading House, entitling it to various benefits, resulting in an increase in income for the company.
- Mr B.K. Syngal who was Chairman and Managing Director of VSNL, retired on 30 June, 1998. Mr. Amitabh Kumar, Director (Operations) is now the officiating Chairman and Managing Director of the Company.

Operational highlights

- The government announced a new uplinking policy for television broadcasters. VSNL has covered satellite broadcasting for six television channels and commissioned a new earth station at Greater Kailash, New Delhi.