



VIDESH SANCHAR NIGAM LIMITED



20th ANNUAL REPORT

2005 - 2006



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TWENTIETH ANNUAL REPORT 2005-06

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Annual General Meeting on Wednesday, September 13, 2006, at MC Ghia Hall, Kalaghoda Mumbai at 11.00 a.m.
As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting.
Shareholders are requested to kindly bring their copies to the meeting.

VIDESH SANCHAR NIGAM LIMITED

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CORPORATE DETAILS

BOARD OF DIRECTORS

(As on 1st August 2006)

Mr. Subodh Bhargava (Chairman) (Independent)

Mr. N. Srinath (Executive Director)

Mr. Ishaat Hussain (Panatone Nominee)

Mr. Kishor Chaukar (Panatone Nominee)

Mr. Pankaj Agrawala (Government Nominee)

Dr. Mukund Rajan (Panatone Nominee)

Mr. N. Parameswaran (Government Nominee)

Mr. P. V. Kalyanasundaram (Independent)

Dr. V.R.S. Sampath (Independent)

Mr. Amal Ganguli (Independent)

Mr. Satish Ranade

Company Secretary & Chief Legal Officer

REGISTERED OFFICE

Videsh Sanchar Bhavan, Mahatma Gandhi Road,
Mumbai – 400 001.

CORPORATE OFFICE

Lokmanya Videsh Sanchar Bhawan
Kashinath Dhuru Marg, Prabhadevi, Mumbai – 400 028.

BANKERS

Citibank Inc.
Indian Overseas Bank
Standard Chartered Bank
HDFC Bank
Hongkong & Shanghai Banking Corporation
State Bank of India
ICICI Bank Ltd.

LEGAL ADVISORS

Messrs ANS Law Associates
Messrs Mulla & Mulla and Craigie Blunt & Caroe

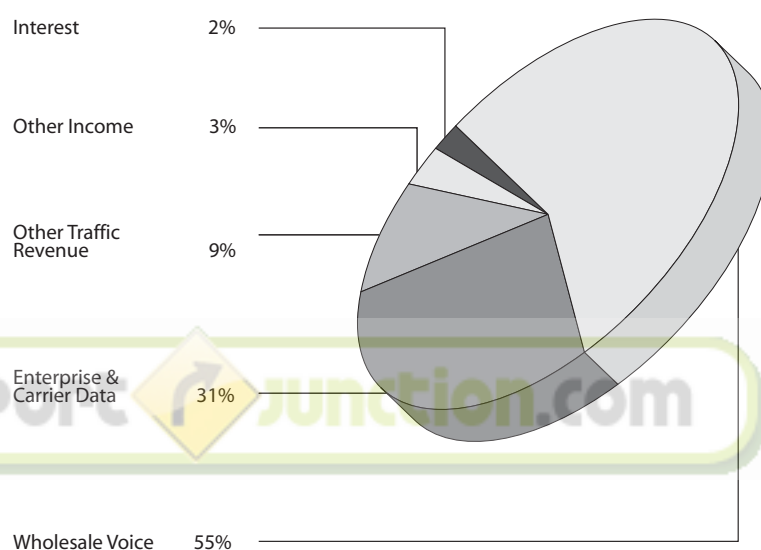
STATUTORY AUDITORS

Messrs S.B. Billimoria & Co., Chartered Accountants

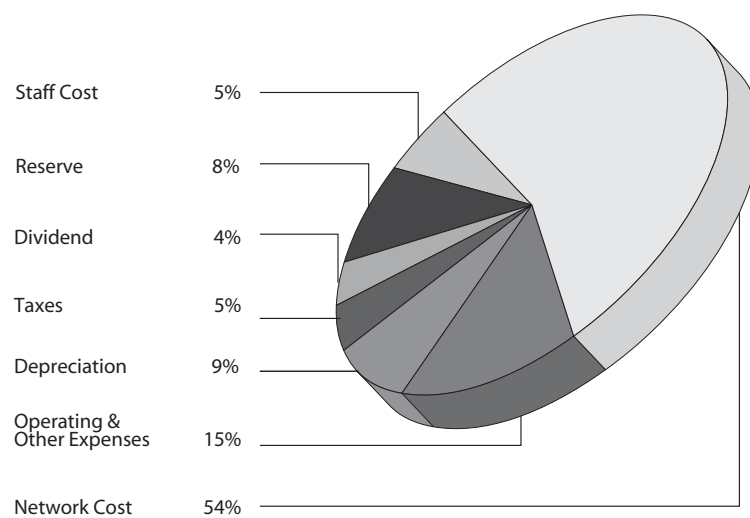
REGISTRARS & TRANSFER AGENTS

Messrs Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor,
Above Bank of Baroda, Chakala
Andheri (East), Mumbai - 400 099.

REVENUE EARNED 2005-06



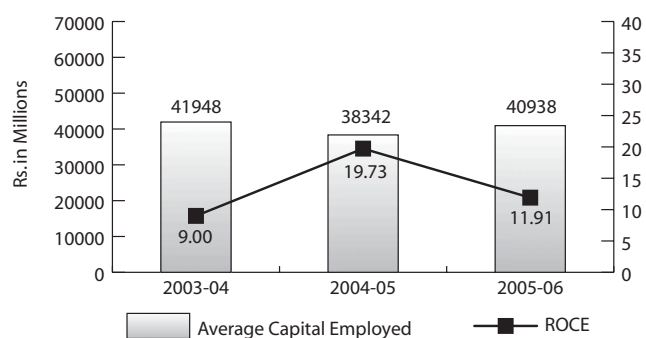
DISTRIBUTION OF REVENUE 2005-06



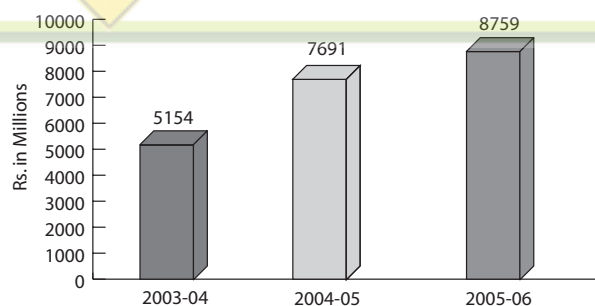
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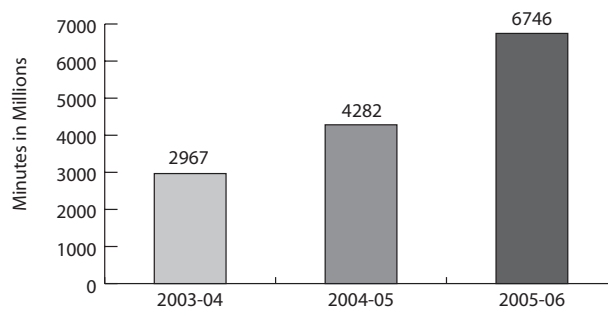
AVG. CAPITAL EMPLOYED AND ROCE



EBIDTA



WHOLESALE VOLUME



NOTICE

NOTICE is hereby given that the Twentieth Annual General Meeting of Videsh Sanchar Nigam Limited will be held at 1100 hours on Wednesday, 13 September 2006, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Marg, Kalaghoda, Mumbai – 400 023 to transact the following business:

1. To receive, consider and adopt the Balance Sheet of the Company as on 31 March 2006, the audited Profit and Loss Account for the year ended on that date, the Auditors' Report thereon and the Report of the Board of Directors.
2. To declare a dividend for the financial year 2005-2006.
3. To appoint a Director in place of Mr. N. Srinath who retires at this Annual General Meeting and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Ishaat Hussain who retires at this Annual General Meeting and being eligible offers himself for reappointment.

Special Business

5. To appoint a Director liable to retire by rotation in place of Dr. Mukund Rajan who holds office only up to this Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Dr. Mukund Rajan as a candidate for the office of director.
6. To appoint a Director liable to retire by rotation in place of Mr. P.V. Kalyanasundaram who holds office only up to this Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Mr. P.V. Kalyanasundaram as a candidate for the office of director.
7. To appoint a Director liable to retire by rotation in place of Dr. V.R.S. Sampath who holds office only up to this Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Dr. V.R.S. Sampath as a candidate for the office of director.
8. To appoint a Director liable to retire by rotation in place of Mr. Amal Ganguli who holds office only up to the date of this Annual General Meeting and in respect of whom a notice under the provisions of Section 257 of the Companies Act, 1956 has been received by the Company from a member signifying his intention to propose Mr. Amal Ganguli as a candidate for the office of director.
9. To consider and, if thought fit, to pass with or without modification the following Resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to Section 224 A and other applicable provisions, if any, of the Companies Act, 1956, M/s S.B. Billimoria & Co., Chartered Accountants be and are hereby appointed Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to examine and audit the accounts of the Company for the financial year 2006-2007 on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors, plus reimbursement of service tax, traveling and out of pocket expenses."
"RESOLVED FURTHER THAT the Auditors of the Company be and are hereby authorized to carry out (either themselves or through qualified associates) the audit of the Company's accounts maintained at all its branches and establishments (whether now existing or acquired during the financial year ending 31 March 2007) wherever in India or abroad."
10. To consider and, if thought fit, to pass with or without modification the following Resolution as a **Special Resolution**:
"RESOLVED THAT pursuant to Section 309 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) and pursuant to the provisions of Clause 49 I (B) of the Listing Agreement, a sum not exceeding one percent per annum of the net profits of the Company calculated in accordance with the provisions of Sections 198, 249 and 350 of the Act, be paid to and distributed amongst the Directors of the Company or some or any of them (other than the Whole-time Directors), in such amounts or proportions and in such manner and in all respects as may be directed by the Board of Directors or any Committee formed by the Board of Directors and entrusted with such responsibilities, and such payments shall be made in respect of the profits of the Company for each year of the period of five years commencing 1 April 2005."

By Order of the Board of Directors

Satish Ranade
Company Secretary
& Chief Legal Officer

Dated : 11 August 2006
Registered Office :
Videsh Sanchar Bhavan
M.G. Road, Mumbai - 400 001.

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NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. THE INSTRUMENT APPOINTING A PROXY SHOULD, HOWEVER, BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. Members who hold shares in dematerialized form are requested to bring their DP ID and Client ID numbers for easy identification of attendance at the meeting.
3. The statement of material facts pursuant to Section 173 (2) of the Companies Act, 1956, setting out the material facts in respect of the business under all items except item Nos.1 to 4 is annexed hereto.
4. The details regarding the persons proposed to be appointed as Directors have been given in the Annexure attached to the Notice and their brief resume is published elsewhere in the Annual Report.
5. This may be taken as notice of declaration of dividend for 2005-2006 in accordance with Article 93 of Articles of Association of the Company in respect of dividend for that year when declared.
6. Register of members and transfer books of the Company shall remain closed from 16 August 2006 to 22 August 2006 (both days inclusive) for the purpose of ascertaining eligibility to dividend.
7. The dividend as recommended by the Board of Directors, if declared at this Annual General Meeting, shall be paid on or after Wednesday the 20 September 2006.
 - (i) to those shareholders whose names appear on the Company's Register of Members after giving effect to all valid share transfers in physical form lodged with the Registrar & Transfer Agents (R&T Agents) of the Company on or before Monday, 14 August 2006.
 - (ii) in respect of shares held in electronic form, to those "deemed members" whose names appear in the statements of beneficial ownership furnished by National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) as at the end of business on Monday, 14 August 2006. In respect of shares held in demat mode, the dividend will be paid on the basis of beneficial ownership as per details to be furnished by NSDL and CDSL for this purpose.
8. Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, dividends for the financial year ended 31 March 1995 and thereafter, which remain unclaimed in the unpaid dividend account for a period of seven years from the date of transfer of the same, will be transferred to the Investor Education and Protection Fund established by the Central Government. The Members and Shareholders who have not encashed their dividend warrant(s) so far for the financial year ended 31 March 1999 or any subsequent financial years are requested to make their claim to the R&T Agents of the Company. According to the provisions of the Act, no claims shall lie against the said Fund or the Company for the amounts of dividend so transferred nor shall any payment be made in respect of such claims. The summary of the unpaid dividend for the past years and the date on which the outstanding amount shall be transferred to Investor Education and Protection Fund on the dates as given in the table below:

Date of AGM/Board	Balance as on 30 June 2006	Dividend for the year	Remarks	Transfer to Investor Education & Protection Fund
30 Sept 1999	40,478.50	1998-99	Final Dividend	11 Nov 2006
10 March 2000	543,486.00	1999-00	Interim Dividend	21 April 2007
26 Sept 2000	339,134.00	1999-00	Final Dividend	7 Nov 2007
27 Sept 2001	2,770,900.00	2000-01	Final Dividend	27 Oct 2008
14 Dec 2001	3,054,084.00	2001-02	Interim Dividend	13 Jan 2009
20 Aug 2002	2,388,446.00	2001-02	Final Dividend	19 Sept 2009
2 Sept 2003	1,422,666.00	2002-03	Final Dividend	2 Oct 2010
2 Sept 2004	854,676.00	2003-04	Final Dividend	2 Oct 2011
14 Sept 2005	1,007,380.00	2004-05	Final Dividend	14 Oct 2012
Total	12,421,250.50			

9. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form No. 2B in duplicate (which will be made available on request) to the R&T Agents of the Company.
10. Members are requested to notify any change in their addresses immediately, in any event not later than Monday, 14 August 2006, so as to enable us to despatch the dividend warrants at the correct addresses:
 - a) In case of physical shares to the R&T Agents, M/s Sharepro Services India Private Limited, Satam Estate, 3rd Floor, Above Bank of Baroda, Chakala, Andheri East, Mumbai-400 099.
 - b) In case of shares held in demat form to their depository participants (DPs).

Annexure to the Notice dated 11 August 2006

The Statement of Material Facts pursuant to Section 173 (2) of the Companies Act, 1956.

In respect of Item No. 5

Dr. Mukund Rajan was appointed on 6 May 2005 in casual vacancy of Mr. Ratan Tata who was appointed in the 17th AGM held on 2 September 2003. Mr. Ratan Tata being a director liable to retire by rotation would have retired in the ensuing AGM. Under Section 262 of the Companies Act, 1956 and under Article 66C, Dr. Mukund Rajan holds office up to the date till when Mr. Tata would have held the office i.e. till the date of the forthcoming Annual General Meeting. Dr. Mukund Rajan is eligible for appointment as a Director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for appointment. If appointed, Dr. Mukund Rajan will act as a non-executive Director liable to retire by rotation.

None of the Directors other than Dr. Mukund Rajan is concerned or interested in the above Resolution.

In respect of Item No. 6

Mr. P.V. Kalyanasundaram was appointed as an Additional Director on the Board with effect from 14 September 2005 under Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956 and under the said Article, Mr. P.V. Kalyanasundaram holds office only up to the date of the forthcoming Annual General Meeting. Mr. P.V. Kalyanasundaram is eligible for appointment as a Director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for appointment. If appointed, Mr. P.V. Kalyanasundaram will act as a non-executive Director liable to retire by rotation. For the purposes of Clause 49 of the Listing Agreement with Indian Stock Exchanges, Mr. Kalyanasundaram would be an Independent Director.

None of the Directors other than Mr. P.V. Kalyanasundaram is concerned or interested in the above Resolution.

In respect of Item No. 7

Dr. V.R.S. Sampath was appointed as an Additional Director on the Board with effect from 14 September 2005 under Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956 and under the said Article, Dr. V.R.S. Sampath holds office up to the date of the forthcoming Annual General Meeting. Dr. V.R.S. Sampath is eligible for appointment as a Director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for appointment. If appointed, Dr. V.R.S. Sampath will act as a non-executive Director liable to retire by rotation. For the purposes of Clause 49 of the Listing Agreement with Indian Stock Exchanges, Dr. V.R.S. Sampath would be an Independent Director.

None of the Directors other than Dr. V.R.S. Sampath is concerned or interested in the above Resolution.

In respect of Item No. 8

Mr. Amal Ganguli was appointed as an Additional Director on the Board with effect from 17 July 2006 under Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act, 1956 and under the said Article, Mr. Ganguli holds office only up to the date of the forthcoming Annual General Meeting. Mr. Ganguli is eligible for appointment as a Director of the Company and the Company has, pursuant to Section 257 of the Companies Act, 1956, received a notice in writing proposing his candidature for appointment. If appointed, Mr. Ganguli will act as a non-executive Director liable to retire by rotation. For the purposes of Clause 49 of the Listing Agreement with Indian Stock Exchanges, Mr. Ganguli would be an Independent Director.

None of the Directors other than Mr. Ganguli is concerned or interested in the above Resolution.

In respect of Item No. 9

Section 224A of the Companies Act, 1956 provides that the appointment or reappointment of an Auditor or Auditors of the Company at each Annual General Meeting shall be by way of a special resolution if the company is one in which not less than 25% of the subscribed share capital is held singly or in combination thereof by the Central Government, public financial institutions, etc.

The Central Government holds about 26.12% of the subscribed and paid-up capital of the Company; and hence, reappointment of M/s. S. B. Billimoria & Co., Chartered Accountants, the Statutory auditors, is required to be made by way of a Special Resolution. As required under Section 224 of the Act, necessary certificates have been received from them to the effect that their appointment, if made, will be in accordance with the limits specified in Section 224 (1B) of the Act.

The Board commends the resolution for acceptance by the members.

None of the Directors is interested in this resolution.

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In respect of Item No. 10

Taking in to account the responsibilities of Directors, it is proposed that in terms of Section 309(4) of the Companies Act, 1956, the directors (apart from the the Whole-time Directors) be paid, for each of the financial years of the Company commencing from 1 April 2005, remuneration not exceeding one percent per annum of the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956. Such remuneration can be paid by way of commission with the prior approval of shareholders whereas the same would require prior approval of government if it is paid by way of monthly or periodical payments. The remuneration will be distributed amongst all or some of the Directors in accordance with the directions given by the Board or any sub-committee of the Board formed for the purpose.

Under the provisions of Clause 49 I (B) of the Listing Agreement, all fees / compensation (except sitting fees), if any, paid to the non-executive directors including independent directors shall be fixed by the board of directors and shall require previous approval of shareholders in general meeting. The consent of the members and shareholders of the Company is therefore being sought pursuant to the said provisions of the Listing Agreement and the Act.

All the Directors of the Company, except the Whole-time Directors, are concerned or interested to the extent of the remuneration that may be received by them.

By Order of the Board of Directors

Satish Ranade

Company Secretary
& Chief Legal Officer

Dated : 11 August 2006

Registered Office :
Videsh Sanchar Bhavan
M.G. Road, Mumbai - 400 001.