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Videsh Sanchar Nigam Limited

21st Annual Report

2006-2007



World Communications Awards, 2006 – LONDON

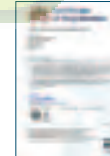
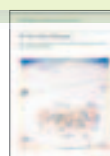
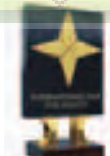
Michel Guyot, President, Global Voice Solutions (center) accepts the award for "Best Wholesale Carrier" from WCA host, Emily Maitlis of Newsnight (left).

TelecomAsia Awards, 2006 – PHUKET

The 2006 TelecomAsia CEO of the Year Award has been given in recognition of Mr. N Srinath's role in transforming VSNL from a domestic monopoly to a major global telco in just four years.

2006 Global Wholesale Telecommunications Awards – AMSTERDAM

Claude Sassoulas, MD - Europe, Global Data Solutions, accepts the award for "Best Pan-Asian Wholesale Provider"



Videsh Sanchar Nigam Limited (VSNL), a member of the US\$ 27 billion **Tata Group**, is a leading global communications solutions company offering next-generation voice, data and value-added services to enterprises, carriers and retail consumers. Voted the Best Wholesale Service Provider at the World Communications Awards, 2006, **VSNL** is one of the world's largest providers of wholesale international voice services and operates one of the largest global submarine cable networks. **VSNL's** customer base includes 1500 Global Carriers, 450 Mobile

Operators, 10,000 Enterprises, 500,000 Broadband and Internet subscribers and 300 Wi-Fi public hotspots.

Rated amongst the Top 100 Emerging Global Challengers by the Boston Consulting Group, **VSNL** has offices in over 35 countries including the United States of America, Canada, the United Kingdom, South Africa, Singapore, Hong Kong, Sri Lanka and India. **VSNL's** global transmission network of over 200,000 route kilometers and its IP core with 200 points of presence, enable a

range of services that include voice, private leased circuits, IP VPN, Internet access, global Ethernet, hosting, mobile signaling and other IP services. Our philosophy of BusinessnRich drives us to empower our customers to achieve enhanced value in their global businesses.

VSNL (www.vsnl.in) is listed on the Bombay Stock Exchange and the National Stock Exchange in India, and its American Depositary Receipts (ADRs) are listed on the New York Stock Exchange in US.



TWENTY FIRST ANNUAL REPORT 2006-07

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Annual General Meeting on Thursday, 2 August 2007, 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

Twenty First Annual Report 2006-2007

CORPORATE DETAILS

BOARD OF DIRECTORS

(As on 3 July 2007)

Mr. Subodh Bhargava (Chairman) (Independent)

Mr. N. Srinath (Managing Director and Chief Executive Officer)

Mr. Kishor A. 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. Vinod Kumar (Panatone Nominee)

Mr. S. Ramadorai (Panatone Nominee)

Mr. Satish Ranade
Mr. Rajiv Dhar

Company Secretary & Chief Legal Officer
Chief Financial 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

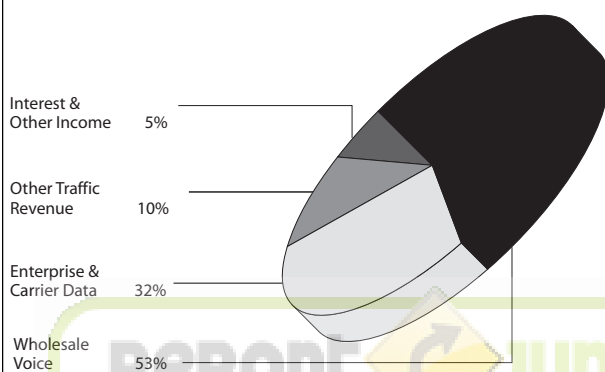
Messrs S.B. Billimoria & Co., Chartered Accountants

REGISTRARS & TRANSFER AGENTS

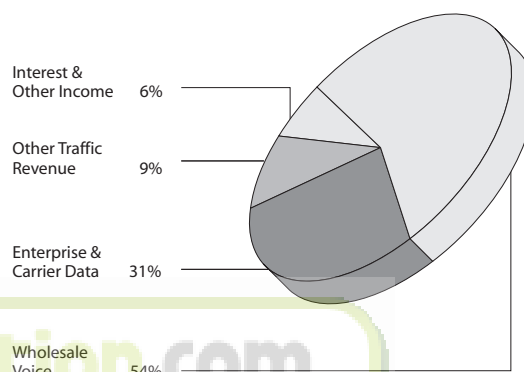
Messrs Sharepro Services (India) Pvt. Ltd.
Satam Estate, 3rd Floor,
Above Bank of Baroda, Chakala
Andheri (East), Mumbai - 400 099.

REVENUE EARNED

2006-07

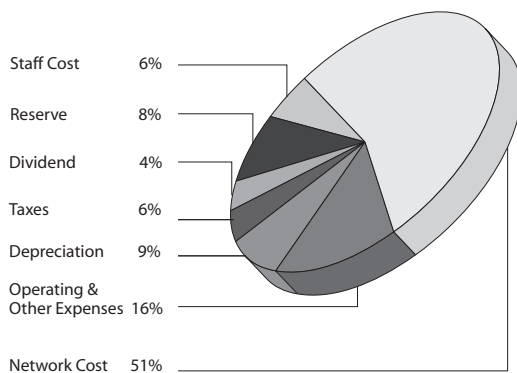


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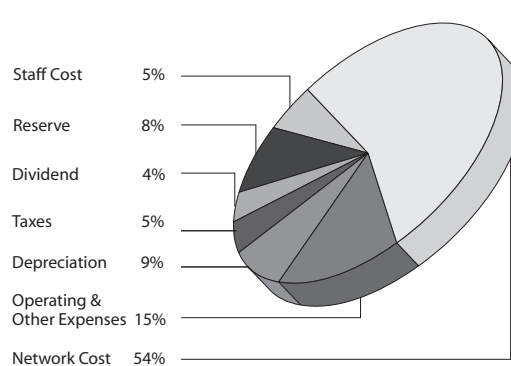


DISTRIBUTION OF REVENUE

2006-07

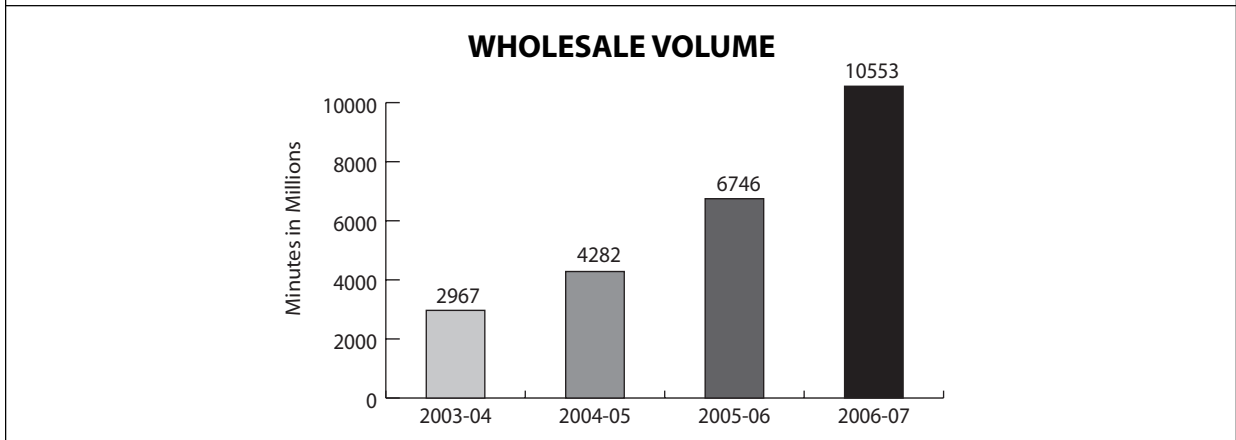
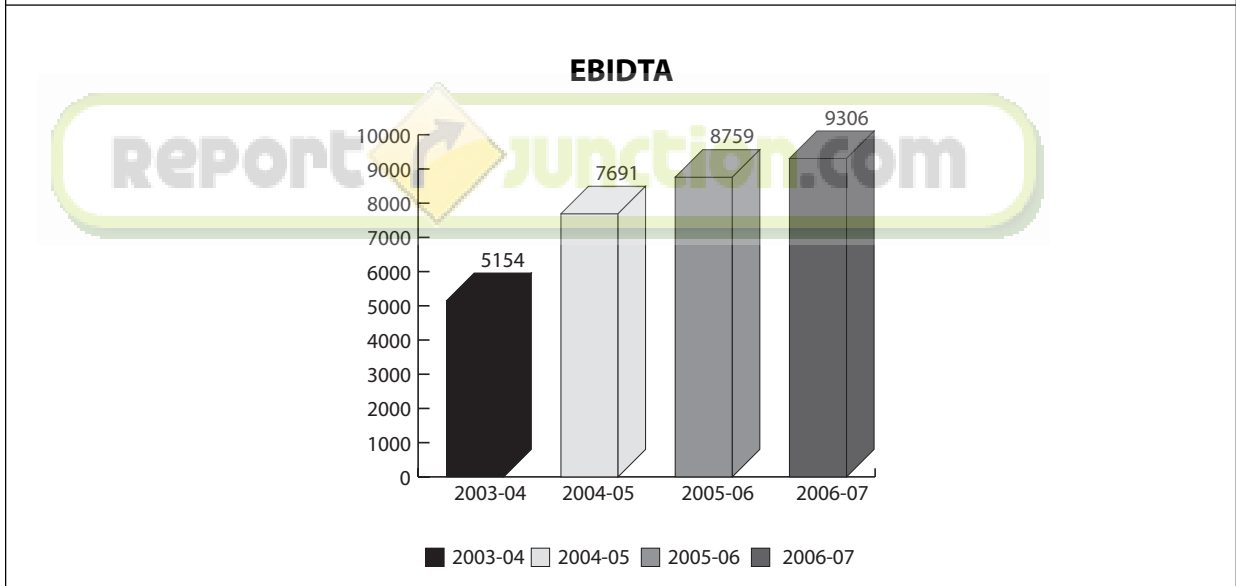
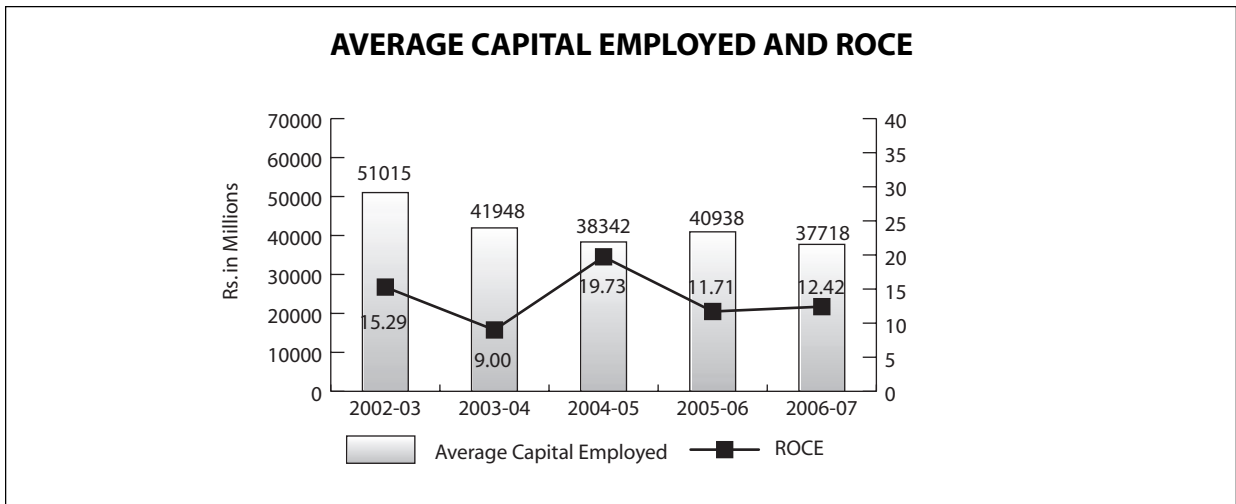


2005-06



VIDESH SANCHAR NIGAM LIMITED

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NOTICE

NOTICE is hereby given that the Twenty First Annual General Meeting of Videsh Sanchar Nigam Limited will be held at 1100 hours on Thursday, 2 August 2007, at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Road Marg, Kalghoda, Mumbai - 400021 to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet of the Company as on 31 March 2007, 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 dividend for the financial year 2006-2007.
3. To appoint a Director in place of Mr. Kishor A. Chaukar who retires at this Annual General Meeting and being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. Subodh Bhargava who retires at this Annual General Meeting and being eligible offers himself for reappointment.

Special Business

5. To pass following resolution with or without modifications as an ordinary resolution:
"RESOLVED THAT pursuant to the provisions of sections 269, 198 and 309 and other applicable provisions, if any, of the Companies Act, 1956, (the "Act") read with Schedule XIII thereto, subject to the provisions of the Memorandum and Articles of Association of the Company, and subject to such approvals, if any, as may be necessary, approval of the Company be and is hereby accorded to the appointment of Mr. N. Srinath as the Managing Director of the Company for a period commencing 2 February 2007 for a period of five years i.e upto and inclusive 1 February 2012 on the terms and conditions agreed to between Mr. Srinath and the Company as set out in the explanatory statement attached to this notice and hereby approved, with liberty to the Board of Directors to revise the terms as to remuneration and other terms and conditions of appointment, from time to time within the limits prescribed under the provisions of Schedule XIII or any amendment thereto for the time being in force."
"RESOLVED FURTHER THAT where in any financial year during the tenure of Mr. N. Srinath as the Managing Director of the Company as above, the Company has no profits or the profits are inadequate, the Company shall subject to the provisions of Sections 198, 269 and 309 of the Act pay basic salary, perquisites and allowances as mutually agreed between the Company and Mr. Srinath and specified in the explanatory statement."
"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take such steps as may be necessary to give effect to this resolution."
6. To appoint a Director liable to retire by rotation in place of Mr. Vinod Kumar 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. Vinod Kumar as a candidate for the office of director.
7. To appoint a Director liable to retire by rotation in place of Mr. S. Ramadorai 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. S. Ramadorai as a candidate for the office of director.
8. To consider and, if thought fit, to pass with or without modification the following Resolution as a Special Resolution:
"RESOLVED THAT pursuant to Section 224A 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 2007-2008 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 2008) wherever in India or abroad."

By Order of the Board of Directors

Dated : 3 July 2007
Registered Office :
Videsh Sanchar Bhavan
M.G. Road, Mumbai - 400 001.

Satish Ranade
Company Secretary &
Chief Legal Officer

VIDESH SANCHAR NIGAM LIMITED

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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. Details regarding the persons proposed to be appointed as Directors and their brief resume have been given in the Annexure attached to the Notice.
5. This may be taken as notice of declaration of dividend for 2006-2007 in accordance with Article 93 of Articles of Association of the Company in respect of dividend for that year when declared.
6. Registers of members and transfer books of the Company shall remain closed from 17 July 2007 to 2 August 2007 (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 8 August 2007.
 - (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 end of business on Monday, 16 July 2007.
 - (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, 16 July 2007. 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 are given in the table below.

Date of AGM/Board	Balance as on 30th June 2007	Dividend for the year	Remarks	Transfer to Investor Education & Protection Fund
26 Sept 2000	338,714.00	1999-00	Final Dividend	7 Nov 2007
27 Sept 2001	2,765,650.00	2000-01	Final Dividend	27 Oct 2008
14 Dec 2001	2,781,684.30	2001-02	Interim Dividend	13 Jan 2009
20 Aug 2002	2,151,657.00	2001-02	Final Dividend	19 Sept 2009
2 Sept 2003	1,415,339.50	2002-03	Final Dividend	2 Oct 2010
2 Sept 2004	820,057.00	2003-04	Final Dividend	2 Oct 2011
14 Sept 2005	908,574.00	2004-05	Final Dividend	14 Oct 2012
13 Sept 2006	1,005,385.50	2005-06	Final Dividend	13 Oct 2013
Total	12,187,061.30			

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, 16 July 2007, so as to enable us to dispatch the dividend warrants at the correct addresses:
 - (i) 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.
 - (ii) In case of shares held in demat form to their depository participants (DPs).

Annexure to the Notice dated 3 July 2007

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

In respect of Item No. 5

The Board of Directors of the Company at its meeting held on 2 February 2007 has appointed Mr. N. Srinath as the Managing Director of the Company subject to the approval of members and shareholders of the Company in general meeting for a period commencing 2 February 2007 for a period of five years i.e up to and inclusive 1 February 2012 at the remuneration, in accordance with the norms laid down in Schedule XIII and other applicable provisions of the Companies Act, 1956, as reproduced herein below :

- a. Basic Salary – Basic Salary in the scale of Rs. 200,000-4,00,000 per month as may be finalised by or under the authority of the Board from time to time.
- b. Special Allowance – 33% of Basic Salary.
- c. Commission - Such remuneration by way of commission in addition to basic salary, perquisites and allowances payable, calculated with reference to the net profits of the Company for each financial year and the performance of the Managing Director during the year as evaluated by the Board at the end of each such financial year. This amount would be subject to the overall ceilings stipulated in Sections 198, 309 and other applicable provisions of the Companies Act, 1956.
- d. Perquisites and Allowances –
 - i. Residential Accommodation - The Company shall provide Company owned / leased accommodation to Mr. Srinath, Managing Director, and undertake its maintenance. The perquisite value of the residential accommodation provided will be calculated as per the Income Tax Rules. Alternatively, if Mr. Srinath does not avail Company owned / leased accommodation he shall be eligible to draw a House Rent Allowance @ 60% of the Basic Salary.
 - ii. In addition to the residential accommodation, the Managing Director shall also be entitled to other perquisites and allowances of the value of 43% of his annual basic salary to cover the following: furnishing; leave travel concession for self, wife and dependent children; normal medical reimbursement for self, wife and dependent children; and any other perquisites and allowances as may be agreed to by the Board and the Managing Director.
 - iii. The Company will pay fees of a maximum of one club. This will not include admission and life membership fees.
 - iv. Reimbursement of inpatient medical expenses towards hospitalization as per VSNL rules applicable from time to time in that regard, provision of a Company car for official duties and provision of telephone at residence and cell phone (including payment for local calls and long distance official calls) shall not be included in the computation of perquisites for the purpose of calculating the ceiling mentioned in para (ii) above.
 - v. The Company's contribution to Provident Fund and Superannuation or Annuity Fund, if any, to the extent these either singly or together are not taxable under the Income Tax Act, Gratuity payable as per the rules of the Company and encashment of leave shall not be included in the computation of the limit referred to in para (ii) above. In case the aggregate contribution to Provident Fund and Superannuation Fund is less than 27% of the basic salary, the Special Allowance referred to in para (b) above shall be increased to that extent.

Minimum Remuneration - Notwithstanding anything to the contrary herein contained, where in any financial year during the currency of Managing Director's tenure, the Company has no profits or the profits are inadequate, the Company shall subject to the provisions of Sections 198, 269 and 309 of the Act pay basic salary, perquisites and allowances as specified above.

Other Terms and Conditions –

1. The terms and conditions of the appointment may be varied / enhanced from time to time by the Board of Directors of the Company as it may in its discretion deem fit within the maximum amounts payable to the Managing Director prescribed under the provisions of Schedule XIII to the Companies Act, 1956.
2. Sitting Fees - The Managing Director shall not be paid any sitting fees for attending the meeting of the Board of Directors or any committee thereof from the date of his appointment.

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

VIDESH SANCHAR NIGAM LIMITED

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In respect of Item No. 6

Mr. Vinod Kumar was appointed as an additional Director on the Board with effect from 2 February 2007 under Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act of 1956 and under the said Article, Mr. Vinod Kumar holds office up to the date of the forthcoming Annual General Meeting. Mr. Vinod Kumar is eligible for appointment as a Director of the Company and the Company has, pursuant to section 257 of the Companies Act of 1956, received a notice in writing proposing his candidature for appointment. If appointed, Mr. Vinod Kumar will act as a non-executive Director liable to retire by rotation.

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

In respect of Item No. 7

Mr. S. Ramadorai was appointed as an additional Director on the Board with effect from 28 June 2007 under Article 66B of the Articles of Association of the Company. Under Section 260 of the Companies Act of 1956 and under the said Article, Mr. S. Ramadorai holds office up to the date of the forthcoming Annual General Meeting. Mr. S. Ramadorai is eligible for appointment as a Director of the Company and the Company has, pursuant to section 257 of the Companies Act of 1956, received a notice in writing proposing his candidature for appointment. If appointed, Mr. S. Ramadorai will act as a non-executive Director liable to retire by rotation.

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

In respect of Item No. 8

M/s. S.B. Billimoria & Co., Chartered Accountants, were appointed as Statutory Auditors of the Company at the Twentieth Annual General Meeting held on 13 September 2006 and hold office till the conclusion of this Annual General Meeting. Since the Government of India continues to hold not less than 25% of the subscribed and paid up share capital of the Company, the appointment of the auditors of the Company is required to be approved by a Special Resolution pursuant to the provisions of Section 224A of the Companies Act, 1956.

None of the Directors are interested in the resolution.

By Order of the Board of Directors

Dated : 3 July 2007
Registered Office :
Videsh Sanchar Bhavan
M.G. Road, Mumbai - 400 001.

Satish Ranade
Company Secretary &
Chief Legal Officer