

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2001-02

(In accordance with clause 49 of the listing agreement with Indian stock exchanges)

1. CORPORATE GOVERNANCE PHILOSOPHY AND PRACTICE

As an internationally reputed high-technology company, VSNL has always held itself to high standards of accountability, auditing, disclosure and reporting. Your company has transformed itself from a fledgling government department, to a wholly owned government company, to its present status as an NYSE-listed, widely-held and privately-managed member of the Tata Group, adding new private and international shareholders along the way. That internal transformation was mirrored externally as India's telecom industry moved from a highly regulated and closed environment to an era of accelerating deregulation and new emerging technologies. Throughout these transformations, VSNL's corporate governance philosophy has been consistent and transparent. Your company focuses on developing and implementing robust control systems and procedures to enable optimum returns to all stakeholders. To this end, your company is also installing new state-of-the art systems including integrated financial accounting and budgeting systems, and has increased the number and quality of its financial and accounting personnel. VSNL has implemented the financial information and controlling modules of the Enterprise Resource Planning system SAP(R/3), which allow flexible compiling and reporting.

VSNL's operations and accounts are audited at three levels: an internal audit; a statutory audit by Indian accounting firms under Indian accounting requirements and their restatement by international accounting firms according to US GAAP. Your company communicates regularly with its shareholders through bulletins, presentations and meetings with analysts and investors.

2. BOARD OF DIRECTORS

The company has a non-executive chairman. Seven out of nine directors are non-executive directors, forming over 50% of the total number of directors. VSNL has two independent directors and two executive directors.

None of the directors holds directorships in more than the permissible number of companies under the applicable provisions. Similarly, none of the directors on the board's sub-committees holds membership of more than ten committees of boards, nor is any director a chairman of more than five committees of boards.

The names and categories of the directors on the board, their attendance at board meetings during the year and at the last annual general meeting, and the number of directorships and committee memberships held by them in other companies are given below:

| Name | Category | Board Meetings during the tenure | | Attendance at the last AGM (27.09.2001) | No. of Directorships in other Public Companies | | No. of Committee Positions held in other Public Companies | |
|---|----------------------------------|----------------------------------|----------|---|--|--------|---|--------|
| | | Held | Attended | | Chairman | Member | Chairman | Member |
| Directors in Office | | | | | | | | |
| Mr. R.N. Tata [Chairman : w.e.f. 13.02.2002] | Not Independent Non Executive | 1 | 1 | N.A. | 10 | 3 | NIL | 4 |
| Mr. S.K. Gupta ¹ [MD : w.e.f. 13.02.2002] | Not Independent Executive | 11 | 11 | Yes | NIL | NIL | NIL | NIL |
| Mr. N. Srinath [Director Operations : w.e.f. 13.02.2002] | Not Independent Executive | 1 | 1 | N.A. | NIL | 2 | NIL | NIL |

VIDESH SANCHAR NIGAM LIMITED

Sixteenth Annual Report 2001-02

| Name | Category | Board Meetings during the tenure | | Attendance at the last AGM (27.09.2001) | No. of Directorships in other Public Companies | | No. of Committee Positions held in other Public Companies | |
|---|--------------------------------------|----------------------------------|----------|---|--|--------|---|--------|
| | | Held | Attended | | Chairman | Member | Chairman | Member |
| Mr. Rakesh Kumar ² [w.e.f. 30.01.2002] | Not Independent Non Executive | 2 | 2 | N.A. | NIL | NIL | NIL | NIL |
| Mr. Y.S. Bhawe ² [w.e.f. 15.05.2002] | Not Independent Non Executive | — | — | N.A. | NIL | NIL | NIL | NIL |
| Mr. Subodh Bhargava ³ [w.e.f. 15.05.2002] | Independent Non Executive | 9 | 8 | Yes | 1 | 7 | 2 | 4 |
| Mr. Suresh Krishna [w.e.f. 24.05.2002] | Independent Non Executive | — | — | N.A. | 6 | 4 | 2 | 3 |
| Mr. Ishaat Hussain [w.e.f. 01.07.2002] | Not Independent Non Executive | — | — | N.A. | 2 | 12 | 3 | 5 |
| Mr. Kishore A. Chaukar [w.e.f. 01.07.2002] | Not Independent Non Executive | — | — | N.A. | 2 | 11 | 3 | 7 |
| Directors served during the year | | | | | | | | |
| Mr. Rajneesh Gupta [ceased to be Director w.e.f. 13.02.2002] | Not Independent Executive | 11 | 11 | Yes | NA | NA | NA | NA |
| Mr. Vinoo Goyal [ceased to be Director w.e.f. 22.04.2001] | Not Independent Executive | 1 | — | N.A. | NA | NA | NA | NA |
| Mr. R. S. P. Sinha [ceased to be Director w.e.f. 13.02.2002] | Not Independent Executive | 11 | 11 | Yes | NA | NA | NA | NA |
| Mr. Amitabh Kumar [ceased to be Director w.e.f. 03.06.2001] | Not Independent Executive | 3 | 3 | N.A. | NA | NA | NA | NA |

| Name | Category | Board Meetings during the tenure | | Attendance at the last AGM (27.09.2001) | No. of Directorships in other Public Companies | | No. of Committee Positions held in other Public Companies | |
|---|----------------------------------|----------------------------------|----------|---|--|--------|---|--------|
| | | Held | Attended | | Chairman | Member | Chairman | Member |
| Mr. Ashok Wadhwa [ceased to be Director w.e.f. 23.01.2002] | Independent Non Executive | 9 | 7 | Yes | NA | NA | NA | NA |
| Mr. N.R. Narayana Murthy [ceased to be Director w.e.f. 26.03.2002] | Independent Non Executive | 11 | 0 | No | NA | NA | NA | NA |
| Mr. H.P. Wagle [ceased to be Director w.e.f. 14.12.2001] | Independent Non Executive | 9 | 9 | Yes | NA | NA | NA | NA |
| Mr. C.V. Rajan ² [ceased to be Director w.e.f. 06.08.2001] | Not Independent Non Executive | 5 | 2 | N.A. | NA | NA | NA | NA |
| Mrs. Sadhana Dikshit ² [ceased to be Director w.e.f. 06.03.2002] | Not Independent Non Executive | 11 | 8 | Yes | NA | NA | NA | NA |
| Mr. P.V. Vaidyanathan ² [ceased to be Director w.e.f. 18.01.2002] | Not Independent Non Executive | 4 | 1 | Yes | NA | NA | NA | NA |

¹Mr. S.K. Gupta functioned as chairman and managing director till February 13, 2002 and continued as managing director thereafter.

²Nominee director of the Government of India (promoter).

³Mr. Subodh Bhargava resigned from the directorship on January 17, 2002 due to expiry of his tenure and was appointed as director again w.e.f. May 15, 2002.

Notes :

- None of the directors is related to any other director.
- None of the directors has any business relationship with the company.
- None of the directors received any loans and advances from the company during the year.
- The information as required under annexure I to clause 49 is being made available to the board.
- The company did not have any pecuniary relationship or transactions with non-executive directors during 2001-02.
- The detailed resume of each director is published in a separate section in the annual report.
- The gap between two board meetings did not exceed four months. The dates on which the 11 board meetings were held are as follows:

April 9, 2001; April 30, 2001; May 2, 2001; July 10, 2001; July 27, 2001; September 27, 2001; October 12, 2001; October 30, 2001; December 14, 2001; January 30, 2002; February 13, 2002.

VIDESH SANCHAR NIGAM LIMITED

Sixteenth Annual Report 2001-02

3. AUDIT COMMITTEE

The audit committee of the board was first constituted on December 15, 1998. It was subsequently reconstituted on April 29, 2000 and then on July 10, 2001, so as to be in compliance of newly inserted section 292A of the Companies Act, 1956. After the post-privatisation reconstitution of the board, the audit committee was also reconstituted on May 24, 2002. The last modification in the constitution of the audit committee took place on June 24, 2002, with the change of the government nominee on the audit committee.

The reconstituted audit committee consists of three members. The chairman of the committee is Mr. Subodh Bhargava, an independent director, who earlier served as the chairman and managing director of Eicher Motors and has a sufficient financial and accounting background. The other members of the committee are the independent director Mr. Suresh Krishna, the chairman and managing director of Sundaram Fastners Ltd. and Mr. Y. S Bhave, government nominee director. Mr. Satish Ranade, executive director (legal) & company secretary is the audit committee's secretary.

At the annual general meeting held on September 27, 2001, the then chairman of the audit committee, Mr. Ashok Wadhwa was present. During the last financial year, the audit committee held only two meetings. The third meeting could not be held as the majority of its members had resigned from the board.

The audit committee has adequate powers and detailed terms of reference to play an effective role as required under the provisions of the Companies Act, 1956 and clause 49 of VSNL's listing agreement with the stock exchanges.

Attendance at the Audit Committee Meetings

| Name | No. of Audit Committee Meetings during 2001-02. | |
|---------------------|---|----------|
| | HELD | ATTENDED |
| Mr. Subodh Bhargava | 2 | 2 |
| Mr. S.K. Gupta | 1 | 1 |
| Mr. R.S.P. Sinha | 2 | 2 |
| Mr. Ashok Wadhwa | 2 | 2 |
| Mr. H.P. Wagle | 2 | 2 |

4. REMUNERATION COMMITTEE

Presently, VSNL has no remuneration committee, since the whole-time directors were remunerated according to the applicable norms of the government prior to privatisation. After privatisation, the two whole-time directors are being remunerated in accordance with the provisions of the Companies Act, 1956. However, the board is now constituting a remuneration committee. The details of remuneration paid to the whole-time directors during the year 2001-02 are as follows:

| Name | Salary (Rs.in'000) | Perquisites & Allowances (Rs. in '000) | Stock Options |
|---------------------------------------|--------------------|--|---------------|
| Mr. S.K. Gupta ⁽¹⁾ | 458 | 851 | NA |
| Mr. N. Srinath ⁽²⁾ | 141 | 149 | NA |
| Mr. Rajneesh Gupta (until 13.02.2002) | 517 | 1,489 ⁽³⁾ | NA |
| Mr. R.S.P. Sinha (until 13.02.2002) | 284 | 666 | NA |
| Mr. Vinoo Goyal (until 22.04.2001) | 62 | 263 | NA |
| Mr. Amitabh Kumar (until 03.06.2001) | 56 | 215 | NA |
| Total | 1,518 | 3,633 | NA |

¹An agreement was entered into with Mr. S.K. Gupta as managing director for a period from February 13, 2002 valid till September 30, 2002. Under the applicable provisions of the Companies Act, 1956, this agreement effective February 13, 2002 is subject to the approval of the shareholders at the annual general meeting. The relevant provisions relating to the remuneration payable to Mr. Gupta were not applicable to VSNL prior to that date.

²An agreement was entered into with Mr. N. Srinath as director (operations) w.e.f February 13, 2002 valid till February 12, 2007. Under the applicable provisions of the Companies Act, 1956, this agreement effective February 13, 2002 is subject to the approval of the shareholders at the annual general meeting.

The agreements with the whole-time directors may be terminated by either party, giving the other party six months notice or the company paying six months' salary in lieu thereof.

Severance fees for Mr. S.K. Gupta and Mr. N. Srinath under the contracts is NIL.

³ Perks for Mr. Rajneesh Gupta included Rs.9,83,000/- towards compensation paid in accordance with the share purchase agreement.

The company pays sitting fees of Rs.5,000 for every board and committee meeting to all non-executive directors, except the nominee directors of Government of India.

5. INVESTOR GRIEVANCE COMMITTEE

This committee was reconstituted post privatisation on May 28, 2002 with Mr. S.K. Gupta, managing director as its chairman and Mr. Satish Ranade, executive director (legal) & company secretary and Mr. A.K. Gupta, executive director (finance) as its members. Mr. R.N. Aditya, assistant company secretary responsible for share registry, is the committee's secretary.

The earlier committee under the chairmanship of Mr. Ashok Wadhwa met thrice during the last year. There were hardly any shareholder grievances lodged with SEBI or BSE during the year. The details of grievances received from the shareholders during the year and their status on March 31, 2002 is given below:

6. GENERAL BODY MEETINGS

The location and time of the last three general body meetings are as follows :

| Meeting Date | Location, Description and Type of Resolutions | Voting |
|-------------------|---|---|
| 27 September 2001 | 15th Annual General Meeting was held at 11:00 Hours at Birla Matushri Sabhagar, New Marine Lines, Mumbai – 400 020. There were six resolutions (all ordinary) | All the resolutions were put to vote by show of hands. Five of the resolutions were carried out unanimously and one was passed by requisite majority. |
| 2 May 2001 EGM | Requisitioned extraordinary general meeting was held on May 2, 2001 at 10:00 hrs at Sasmira, Sasmira Marg, Worli, Mumbai – 400 025. There was only one ordinary resolution. | Resolution was put to vote by show of hands and carried with majority. |

| Sr. | Nature of Complaints | No. of Complaints | |
|-----|-----------------------------------|-------------------|----------|
| | | Received | Pending |
| 1 | Non-receipt of Dividend Warrant | 788 | 9 |
| 2 | Non-receipt of Share Certificates | 85 | NIL |
| 3 | SEBI/Stock Exchange | 16 | NIL |
| 4 | Miscellaneous/Others | 291 | NIL |
| | Total | 1180 | 9 |

A separate committee for share transfers is delegated with the powers to approve physical share transfers. As the shares of the company are under compulsory dematerialised trading for all investors, this delegation is considered adequate. All the shares received for transfer till March 31, 2002 have been duly processed and one transfer case involving 30 shares was pending to be approved as on that date.

Compliance Officer

Mr. Rishabh Nath Aditya
Assistant Company Secretary
Videsh Sanchar Nigam Limited
Videsh Sanchar Bhawan
M. G. Road, Mumbai - 400 001.
Tel : +91 22 262 4020
Fax : +91 22 266 7954
Email : rnaditya@vsnl.com

VIDESH SANCHAR NIGAM LIMITED

Sixteenth Annual Report 2001-02

| | | |
|-------------------|--|--|
| 26 September 2000 | 14th Annual General Meeting was held at 11:00 hrs at Birla Matushri Sabhagar, New Marine Lines, Mumbai – 400 020. There were 8 resolutions (7 ordinary and 1 special). | All the resolutions were put to vote by show of hands. 7 of the resolutions were carried unanimously and one was passed by requisite majority. |
| 30 September 1999 | 13th Annual General Meeting was held at 10:00 hrs at Indian Merchants' Chamber, Indian Merchant Chamber Marg, Mumbai – 400 020. There were 12 resolutions (11 ordinary and 1 special). | All the resolutions were put to vote by show of hands and were carried unanimously. |

Postal Ballot

The object clause of the company's memorandum of association requires to be amended since the company does not remain a government company. Under the provisions of Section 17 of the Companies Act, 1956 [the Act], alterations in the objects clause of a company's memorandum of association require prior approval of the shareholders. The provisions of section 192A of the Act, read with The Companies (Passing of Resolution through Postal Ballot) Rules, 2001, require the shareholders' consent for the above purpose to be obtained by means of a postal ballot.

Accordingly, the company is following the procedure prescribed in The Companies (Passing of Resolution through Postal Ballot) Rules, 2001. The notices were dispatched to shareholders on June 18, 2002 and the last date for receipts of duly filled postal ballots is July 23, 2002. The company has appointed Mr Sharad D Abhyankar, solicitor and advocate, as the scrutiner for conducting the postal ballot voting process in a fair and transparent manner.

7. DISCLOSURES

- a) There were no significant related-party transactions of the company with its promoters, directors or management, their subsidiaries or relatives that may have potential conflict with the interest of company at large. Note no. 16 of the Notes on Accounts may also be referred to in this respect. No non-compliance notice has been issued and no penalties or strictures have been imposed on the company by SEBI, any stock exchange or any statutory authority on any matter related to capital markets during the last three years.
- b) Due to the transitory conditions prevailing in

VSNL on March 31, 2002, the directors were to be appointed as per the shareholders' agreement and it was not possible to comply with the requirements of clause 49 relating to the constitution of the board and its committees and the requisite number of committee meetings. The details of the non-compliances with the corporate governance requirements are as follows:

- i) The provisions of the listing agreement do not unequivocally state that the investor grievance committee shall not consist of officers not being directors of the company. Mr. Ashok Wadhwa, independent director, was the chairman of this committee till his resignation on January 23, 2002. After that, the board was reconstituted on February 13, 2002, the date of transition. Thereafter till March 31, 2002 this committee did not have any non-executive director as its member or chairman.
- ii) Prior to privatisation VSNL was a Government of India enterprise and appointment of directors on the VSNL was under the government's control. For this reason, it was not within VSNL's control to ensure that a minimum 50% of board composition comprising of independent directors when the chairman held an executive position as the chairman and managing director. This was communicated to the stock exchanges in the quarterly compliance report for the period ended March 31, 2002.
- iii) Consequent to the signing of shareholders' agreement between the strategic partner i.e. M/s. Panatone Finvest Limited and the

Government of India on February 13, 2002, 25% of VSNL's paid-up capital was transferred to M/s. Panatone Finvest Limited, an investing vehicle of the Tata Group, by the Government of India. Under the applicable clauses of the shareholders' agreement signed by the Government of India with Panatone Finvest Limited, all the then whole-time directors were required to resign from the board of VSNL, which they did. Three out of the four independent directors appointed while VSNL was a government company had resigned prior to that date. Therefore, all the committees appointed earlier became defunct. The constitution of VSNL's board on March 31, 2002 was as follows:

Mr. Ratan N Tata : Chairman
(non-executive)
Mr. S.K. Gupta : Managing director
Mr. N. Srinath : Director (operations)
Mr. Rakesh Kumar : Director (GOI nominee,
non executive)

The above was communicated to the stock exchanges in the quarterly compliance report for the period ended March 31, 2002.

8. MEANS OF COMMUNICATION

VSNL's quarterly results are published in the Economic Times and Maharashtra Times among others, and are also hosted on VSNL's website: www.vsnl.com. The company's press releases, details of significant developments and investor updates are also made available on the website. The company generally holds a press conference/ investors' meet after the half-yearly results are taken on record by the board relating to September 30th and March 31st every year.

The management discussion and analysis forms part of the directors' report and is included in the annual report for the year 2001-02. Segmental information may be referred to in note no. 15 of the Notes on Accounts.

9. SHAREHOLDER INFORMATION

DATE AND VENUE OF THE AGM

The sixteenth annual general meeting of Videsh Sanchar Nigam Limited will be held at 1100 hours

on Tuesday, August 20, 2002, at Birla Matushri Sabhagar, New Marine Lines, Mumbai - 400020.

FINANCIAL CALENDAR

Fiscal year ending : March 31, 2002
Annual general meeting: Tuesday, August 20, 2002

KEY FINANCIAL REPORTING DATES FOR FINANCIAL YEAR 2002-03

| | |
|---|---|
| First quarter ending : June 30, 2002 | On or before July 31, 2002 |
| Second quarter ending : Sept 30, 2002 | On or before October 31, 2002 |
| Third quarter ending : Dec 31, 2002 | On or before January 31, 2003 |
| Fourth quarter ending : March 31, 2003 | On or before April 30, 2003 or if audited, on or before May 31, 2003 |

BOOK CLOSURE DATES FOR THE PURPOSE OF DIVIDEND

VSNL's register of members and share transfer books will remain closed from Thursday, August 1, 2002 to Tuesday, August 20, 2002 (both days inclusive), to determine the entitlement of shareholders to receive the final dividend as may be declared for the year ended March 31, 2002.

DIVIDEND PAYMENT

Dividend on equity shares as recommended by the directors for the year ended March 31, 2002, when declared at the meeting, will be paid on or after August 25, 2002:

(i) to those members whose names appear on the company's register of members, after giving effect to all valid share transfers in physical form lodged with M/s. Sharepro Services, R&T agent of the company, on or before Wednesday, July 31, 2002.

(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)

VIDESH SANCHAR NIGAM LIMITED

Sixteenth Annual Report 2001-02

and Central Depository Services (India) Limited (CDSL), as at the end of business on Wednesday, July 31, 2002.

DIRECT DEPOSIT OF DIVIDEND (ELECTRONIC CLEARING SERVICE)

In respect of shares held in electronic form, dividends will be payable on the basis of beneficial ownership according to the details furnished by NSDL and CDSL for this purpose. The company is considering dividend payments in respect of shares held in electronic form, through E.C.S/D.D.S on the basis of particulars received from NSDL/CDSL. Members holding shares in electronic form are therefore required to update their bank details, including the nine digit MICR number appearing on the cheque pertaining to the respective bank account, with their concerned depository participants (DP) to facilitate the distribution of dividends. Members who wish to receive dividends in an account other than the one specified while opening the depository account may notify their DPs about any change in bank account details. Members are requested to furnish complete details of their bank accounts including MICR codes of their banks to their DPs.

In respect of shares held in physical form, members desirous of receiving dividends by direct electronic deposit to their bank accounts may authorise the company with their ECS mandate. For details, kindly write to the R&T agents M/s Sharepro Services.

BANK DETAILS

In order to provide protection against fraudulent encashment of dividend warrants, members are requested to provide, if they have not already provided, their bank account numbers, bank account type and names and addresses of bank branches, quoting folio numbers, to the R&T agents M/s Sharepro Services (in case of physical shareholding) to enable them to incorporate the same on the dividend warrants. In case of dematerialised holding the bank account details should be intimated to the shareholder's depository participant.

LISTING ON STOCK EXCHANGES IN INDIA AND LISTING FEES

The company's shares are listed on the stock exchanges at Mumbai (BSE), Chennai, Delhi, Kolkata and National Stock Exchange (NSE) in India. Annual listing fees as due to each of the above stock exchanges for 2002-2003 have been paid.

LISTING ON STOCK EXCHANGE OUTSIDE INDIA

The company's ADRs are listed on the New York Stock Exchange (NYSE) and have been traded on the NYSE since August 15, 2000. The annual listing fee payable to the NYSE is being paid regularly.

DEPOSITARY BANK FOR ADR HOLDERS

The Bank of New York, 101, Barclays Street, 22nd Floor West, New York, NY 10286, Telephone: +1 (212) 815 8128, Facsimile: +1 (212) 571 3050

Local Address : The Bank of New York, Express Towers, 12th Floor, Nariman Point, Mumbai 400 021, Telephone: (022) 202 4941/43, Facsimile: (022) 204 4942.

CUSTODIAN FOR THE DEPOSITARY IN INDIA

ICICI Limited, Custodial Services, ICICI Towers, Bandra Kurla Complex, Bandra (East), Mumbai 400 051, Telephone: 91-22-653 8211, Facsimile: 91-22-653 1164/65.

STOCK CODE

Bombay Stock Exchange : 500483

National Stock Exchange : VSNL

New York Stock Exchange : VSL

ISIN No. for equity shares : INE151A01013

ISIN No. for ADRs : US92659G6008

CUSIP No. for ADRs : 92659G600

Reuters codes

VSNL.BO (BSE)

VSNL.NS (NSE)

VSNLq.L (LSE)

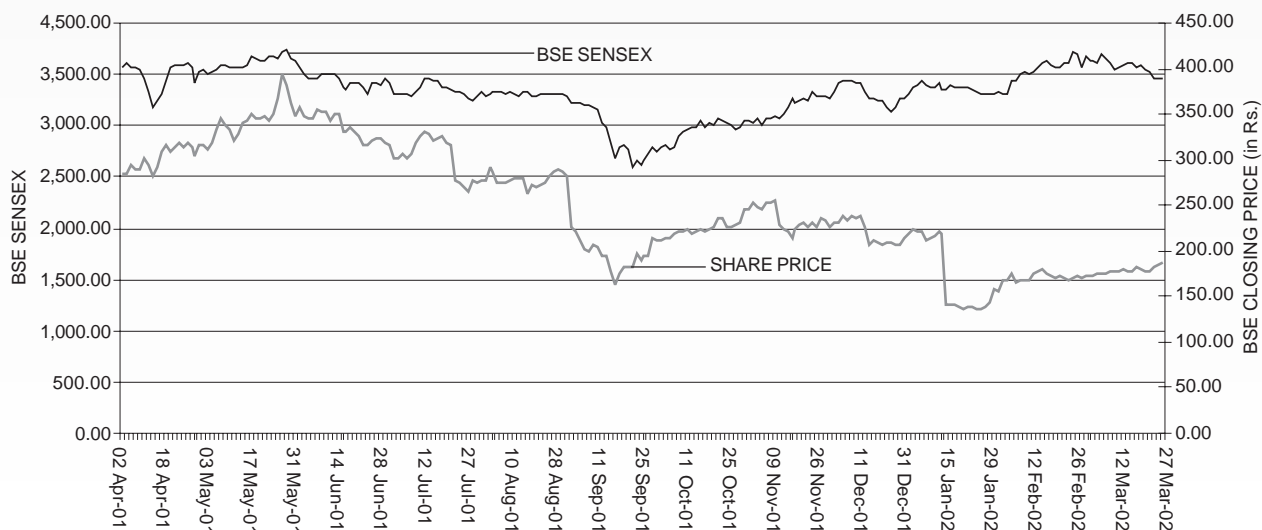
STOCK MARKET DATA RELATING TO SHARES LISTED IN INDIA

Monthly high and low quotations and volume of shares traded at BSE & NSE for 2001-2002 are :

| Date | BSE Share Price (Closing) | | | NSE Share Price (Closing) | | |
|---|---------------------------|--------|----------|---------------------------|-----------|-----------|
| | High | Low | Volume | High | Low | Volume |
| Apr-01 | 319.70 | 283.00 | 4738736 | 319.85 | 283.00 | 5692103 |
| May-01 | 393.25 | 310.20 | 8878458 | 392.15 | 310.75 | 10875597 |
| Jun-01 | 356.50 | 316.30 | 6835057 | 357.85 | 316.40 | 7732264 |
| Jul-01 | 330.70 | 264.50 | 5839025 | 329.50 | 262.70 | 6422898 |
| Aug-01 | 290.95 | 263.20 | 3863978 | 290.35 | 263.85 | 5296828 |
| Sep-01 | 226.45 | 162.85 | 6510775 | 278.35 | 162.95 | 9346824 |
| Oct-01 | 236.60 | 210.60 | 4199696 | 237.20 | 210.25 | 5190029 |
| Nov-01 | 254.85 | 214.45 | 6447211 | 254.75 | 214.30 | 8713055 |
| Dec-01 | 239.15 | 205.75 | 8254885 | 239.65 | 206.00 | 12094634 |
| Jan-02 | 223.15 | 135.75 | 6104656 | 223.15 | 135.75 | 13724308 |
| Feb-02 | 156.55 | 166.05 | 15463797 | 179.40 | 168.75 | 24853383 |
| Mar-02 | 186.95 | 172.00 | 7613590 | 187.60 | 171.50 | 9217765 |
| Total | | | 84749864 | | | 119159688 |
| Percentage of volume traded on BSE & NSE to shares available in Indian market | | | | | 276.35%** | |

** Out of the total 285 million outstanding shares, the number of shares available in Indian markets, as of March 31, 2002, have been considered to be 73787667 only, which has been arrived at after deducting 74446885 shares held by the Government of India, 71250000 shares held by the strategic partner M/s Panatone Finvest Limited, 59853902 shares as underlying shares for ADRs and 5661546 shares held as non-tradable shares by employees.

PERFORMANCE OF VSNL'S SHARE PRICE ON THE BSE IN COMPARISON TO THE BSE SENSEX.



VIDESH SANCHAR NIGAM LIMITED

Sixteenth Annual Report 2001-02

SHARE TRANSFER SYSTEM

Share transfers physical form can be lodged with M/s. Sharepro Services, the R & T agents of VSNL. The transfers are normally processed within 15 days from the date of receipt if the documents are complete in all respects. A Committee for Share Transfers is empowered to approve transfers.

DISTRIBUTION OF SHAREHOLDING

| Number of ordinary shares held | Number of shareholders | |
|--------------------------------|------------------------|--------------|
| | 31.03.2002 | 31.03.2001 |
| 1 to 100 | 70162 | 56997 |
| 101 to 500 | 15796 | 9403 |
| 501 to 1000 | 2128 | 1195 |
| 1001 to 10000 | 4180 | 480 |
| Over 10000 | 288 | 196 |
| Total | 92554 | 68271 |

CATEGORIES OF SHAREHOLDERS AS OF 31 MARCH

| Category | Number of Shareholders | | Voting Strength | | Number of Shares held | |
|---|------------------------|--------------|-----------------|------------|-----------------------|------------------|
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| Central Government including nominees of President of India | 4 | 3 | 26.12 | 52.97 | 74446885 | 150961440 |
| Indian public financial institutes & mutual funds | 45 | 64 | 7.09 | 6.78 | 20203572 | 19319800 |
| Indian nationalised banks | 10 | 13 | 0.03 | 0.08 | 99464 | 235711 |
| Foreign Financial institutions | 105 | 137 | 10.86 | 7.82 | 30954140 | 22296097 |
| Foreign companies (shares held by Bank of New York as depository for ADRs) | 2 | 1 | 21.00 | 29.22 | 59853902 | 83268219 |
| Non resident individuals | 333 | 202 | 0.04 | 0.02 | 119450 | 46763 |
| Other Indian bodies corporates (including 71250000 shares held by Strategic Partner M/s Panatone Finvest Limited) | 2544 | 1548 | 28.09 | 0.68 | 80048521 | 1923801 |
| Others (including 5661546 shares held by employees as locked-in shares) | 89510 | 66303 | 6.77 | 1.96 | 19266684 | 5591768 |
| In transit demat shares | 1 | | 0.00 | 0.47 | 7382 | 1356401 |
| TOTAL | 92554 | 68271 | 100 | 100 | 285000000 | 285000000 |

Dematerialisation of Shares and Liquidity

Approx 99% of the company's share capital available in the market is dematerialised as on 31.03.2002. The company's shares are regularly traded on the Stock Exchange Mumbai and the National Stock Exchange, as is evident from the table containing stock market data.

Outstanding ADRs

29926951 ADRs (each representing two ordinary share of the company) are outstanding as of March 31, 2002. In respect of these ADRs, the option to convert into shares is alive.

SHARE CAPITAL HISTORY

Details of share capital history since incorporation is as below:-

| Dates | Particulars of Issue | Number of Shares | Total Number of Shares | Nominal Value of Shares (Rs.) |
|------------|--|------------------|------------------------|-------------------------------|
| 19.03.86 | Allotted as Purchase consideration for assets & liabilities of OCS | 126 | 126 | 126,000 |
| 01.04.86 | Allotted as Purchase consideration for assets & liabilities of OCS | +599,874 | 600000 | 600,000,000 |
| March '91 | Shares of Rs.1000/- each subdivided into shares of Rs.10/- each | NIL | 60000000 | 600,000,000 |
| 06.02.92 | Bonus of 1:3 issued to Government of India. | +20,000,000 | 80000000 | 800,000,000 |
| Jan-Feb 92 | 12 million shares disinvested in favour of Indian Financial Institutions by GOI @ Rs.123/- per share | NIL | 80000000 | 800,000,000 |
| 1994-95 | 2,382,529 Shares transferred to disinvested parties as bonus shares | NIL | 80000000 | 800,000,000 |
| 27.03.97 | VSNL raised its share capital by way of GDR Issue, and also GOI Divested in GDR markets @ US\$13.93 per GDR equivalent to Rs.1000 per share. | +12,165,000 | 92165000 | 921,650,000 |
| 04.04.97 | VSNL raised its capital by way of GDR Issue Green Shoe option @ US\$13.93 per GDR equivalent Rs.1000 per share. | +2,835,000 | 95000000 | 950,000,000 |
| Feb. 1999 | 10,000,000 shares divested by GOI in GDR markets @ US\$9.25 per GDR equivalent to Rs.786.25 per share. | NIL | 95000000 | 950,000,000 |
| May 1999 | 396,991 shares Divested by GOI by way of offer of shares to employees of VSNL @ Rs.294 per share locked in for a period of 3 years. | NIL | 95000000 | 950,000,000 |
| Sept' 99 | 10,00,000 shares Divested by GOI in domestic markets @ Rs.750 per share. | NIL | 95000000 | 950,000,000 |
| 15.08.2000 | Listing of ADRs on New York Stock Exchange | NIL | 95000000 | 950,000,000 |
| 24.11.2000 | Bonus shares in the ratio of 2:1. | +190,000,000 | 285000000 | 2,850,000,000 |
| 13.02.02 | 25% of VSNL Stake transferred to Tata Group's investment vehicle Panatone Finvest Ltd. Government holdings reduced to 27.97% from 52.97%. VSNL ceases to be a Government of India Enterprise | NIL | 285000000 | 2,850,000,000 |
| 21.02.02 | 5264555 shares divested by GOI by way of offer of shares to employees of VSNL @ Rs.47.85 per share locked in for a period of 1 year. | NIL | 285000000 | 2,850,000,000 |
| 10.04.02 | Open Offer by Panatone Finvest Limited in accordance with SEBI guidelines to acquire upto 57 million shares @ Rs.202/- per share | NIL | 285000000 | 2,850,000,000 |
| 08.06.02 | Open Offer complete with Panatone holding total of 128249910 shares including 57 million shares as above. | NIL | 285000000 | 2,850,000,000 |

VIDESH SANCHAR NIGAM LIMITED

Sixteenth Annual Report 2001-02

Locations of Other Offices

Regional Offices : Mumbai, Chennai, Kolkatta and New Delhi

Branches : Ambattur, Arvi, Bangalore, Bhubaneswar, Chandigarh, Coimbatore, Dehradun, Ernakulam, Gandhinagar, Goa, Guwahati, Hyderabad, Indore, Jaipur, Jalandhar, Kanpur, Patna, Pondicherry, Pune, Thiruvananthapuram.

Address for Correspondence

Registered Office

Videsh Sanchar Bhawan (VSB)
Mahatma Gandhi Road,
Mumbai - 400 001.
Tel : +91 22 262 4020/261 9632
Fax : +91 22 262 4027
Email : help@vsnl.com
Website : www.vsnl.com

Corporate Office

Lokmanya Videsh Sanchar Bhawan (LVSB)
Kashinath Dhuru Marg
Prabhadevi
Mumbai – 400 028
Tel. : +91 (22) 431 2700
Fax : +91 (22) 432 2678

Any shareholder complaints/queries may be addressed to:

Registrar and Transfer Agents

M/s. Sharepro Services
Unit : Videsh Sanchar Nigam Limited
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai - 400 099.
Tel : (022) 8215168, 8202108, 8202114.
Fax : (022) 8375646
E-mail : sharepro@vsnl.com

Any queries relating to financial statements of the Company may be addressed to :

Investor Relations Cell
Videsh Sanchar Nigam Limited
Lokmanya Videsh Sanchar Bhawan
Kashinath Dhuru Marg, Opposite Kirti College,
Prabhadevi, Mumbai - 400 028.
Tel : +91 (22) 432 0621
Fax: +91 (22) 432 0283
Email: invrelhq@vsnl.com