

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2005-06

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

Corporate governance is the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are set, and the means of attaining those objectives and monitoring performance.

1. CORPORATE GOVERNANCE PHILOSOPHY AND PRACTICE

VSNL has evolved from a monopoly ILD player to a multi-national corporation having its presence felt across the globe. Its businesses are no longer confined within the boundaries of India but are now spread across the globe offering a wide spectrum of basic and value added services. The challenge for VSNL for governance lies in designing a model addressing the specific and unique needs of geographies and yet strengthening and aligning the overall business objectives and goals.

The Company believes that total business risk elimination is never possible but can be minimized by consistently developing and following the best practices of Corporate Governance. To this end, the Company focuses on developing and implementing higher standards of accountability to enable optimum returns to all stakeholders. The company is installing new state-of-the-art systems including integrated financial accounting and budgeting systems and through a systematic process of training and development has increased the quality of its personnel.

Fairness in words, actions and deeds with all stakeholders are the pillars of corporate governance philosophy of the Company. Corporate Governance in substance rather than form is what the Company believes in and actively

implements. To ensure this, a high level Corporate Governance Council has been formed to ensure that the best practices of Corporate Governance are adopted.

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

2. BOARD OF DIRECTORS

The Company is managed exclusively by and under the directions of the Board. The composition of the Board is governed by the applicable laws and regulations as well as the Articles of Association of the Company. The powers delegated by the Board to the Managing Director and by the Managing Director to the sub-ordinate officers are documented in the Delegation of Powers (DoP). The DoP is revised periodically.

Nine out of ten directors are non-executive directors, forming more than half of the total number of directors. VSNL has four independent directors and one executive director.

None of the directors hold directorships in more than the permissible number of companies under the applicable provisions. Similarly, none of the directors on the board's sub-committees hold 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 as of 31 March 2006 (with Directorships updated as of 30 July 2006) are given below:

Name of Director	Category	Board Meetings during the tenure		Attendance at the last AGM (14.09.2005)	No. of Directorships in Public Companies Including VSNL		No. of Committee Positions held in Public Companies Including VSNL	
		Held	Attended		Chairman	Member	Chairman	Member
Directors in Office								
Mr. Subodh Bhargava [Chairman : w.e.f. 11.04.05]	Independent Non Executive	11	11	Yes	2	10	3	5
Mr. N. Srinath	Not Independent Executive	11	11	Yes	NIL	3	NIL	NIL
Mr. Ishaat Hussain	Not Independent Non Executive	11	10	Yes	1	11	3	6
Mr. Kishore A. Chaukar	Not Independent Non Executive	11	10	Yes	NIL	12	4	3

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Name of Director	Category	Board Meetings during the tenure		Attendance at the last AGM (14.09.2005)	No. of Directorships in Public Companies Including VSNL		No. of Committee Positions held in Public Companies Including VSNL	
		Held	Attended		Chairman	Member	Chairman	Member
Directors in Office								
Mr. Pankaj Agrawala ¹	Not Independent Non Executive	11	8	No	NIL	2	NIL	3
Dr. Mukund Rajan [w.e.f. 06.05.05]	Not Independent Non Executive	10	9	Yes	NIL	3	NIL	NIL
Mr. N. Parameswaran ¹ [w.e.f. 30.08.05]	Not Independent Non Executive	8	7	Yes	NIL	2	NIL	NIL
Mr. P.V. Kalyanasundaram [w.e.f. 14.09.05]	Independent Non Executive	7	6	N/A	NIL	NIL	NIL	1
Dr. V.R.S. Sampath [w.e.f. 14.09.05]	Independent Non Executive	7	6	N/A	NIL	2	NIL	1
Mr. Amal Ganguli [w.e.f. 17.07.06]	Independent Non Executive	N/A	N/A	N/A	NIL	11	3	4
Directors served during the year								
Mr. R.N. Tata [Until 11.04.05]	Not Independent Non Executive	1	1	N/A	12	2	NIL	8
Mr. Rakesh Kumar ¹ [Until 10.08.05]	Not Independent Non Executive	3	3	N/A	NIL	NIL	NIL	NIL
Mr. Suresh Krishna [Until 21.03.06]	Independent Non Executive	10	3	No	6	3	2	3
Mr. Vivek Singhal [Until 09.09.05]	Independent Non Executive	4	1	N/A	NIL	6	1	1
Dr. Ashok Jhunjhunwala [Until 09.09.05]	Independent Non Executive	4	4	N/A	NIL	8	NIL	8
Mr. F.A. Vandrevala [Until 25.11.05]	Not Independent Non Executive	5	5	Yes	2	13	NIL	2

¹ Nominee director of the Government of India.

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 IA 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 2005-06.
- The detailed resume of each director and the details of the directors proposed to be appointed/reappointed at the 20th Annual General Meeting are published elsewhere 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:

11 April 2005	9 June 2005	28 July 2005	30 August 2005
14 September 2005	7 October 2005	25 October 2005	7 December 2005
31 January 2006	1 March 2006	31 March 2006	

3. AUDIT COMMITTEE

The audit committee consists of four 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 necessary and sufficient financial and accounting background.

The other members of the committee are Mr. Pankaj Agrawala, Government Nominee Director, Mr. P.V. Kalyanasundaram, Independent Director and Mr. Amal Ganguli, Independent Director. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the audit committee's Secretary. Mr. Ishaat Hussain, Director (Finance), Tata Sons Limited, who was a member of the Audit Committee till 24 October 2005, is a special invitee for Audit Committee meetings.

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 of Member	Audit Committee Meetings during the tenure	
	Held	Attended
Mr. Subodh Bhargava	6	6
Mr. Pankaj Agrawala	6	5
Mr. P.V. Kalyanasundaram [W.e.f. 24.10.05]	3	2
Mr. Amal Ganguli [W.e.f. 17.07.06]	N/A	N/A
Mr. Ishaat Hussain (Special Invitee) [Member till 24.10.05]	3	1
Mr. Vivek Singhal [Until 09.09.05]	3	2
Dr. Ashok Jhunjhunwala [Until 09.09.05]	3	2

At the Annual General Meeting held on September 14, 2005, the Chairman of the Audit Committee, Mr. Subodh Bhargava was present. During the last financial year, the Audit Committee held five formal meetings and one informal meeting and not more than four months had elapsed between any two meetings. The dates of meetings of the Audit Committee are as follows:

3 June 2005 (Informal meeting)	8 June 2005	28 July 2005
24 October 2005	31 January 2006	1 February 2006

4. REMUNERATION COMMITTEE

a) Constitution and Terms of Reference

The Remuneration Committee consists of two members. The Chairman of the Committee is Mr. Kishor Chaukar, Mr. Subodh Bhargava is the other member on the Committee. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the Remuneration Committee's Convener. In January 2006, the Remuneration Committee through a circular resolution had recommended certain changes in the terms of appointment of the executive director. One meeting of the Remuneration Committee was held on 26 June 2006.

The broad terms of reference of the Remuneration Committee are to review the performance of the Whole-time Directors, after considering the Company's performance and recommend to the Board remuneration including salary, perquisites and commission to be paid to the Company's Whole-time Directors within the overall ceilings approved by the shareholders.

b) Remuneration Policy

The non-executive Directors were not paid any remuneration till 2004-05 except payment by way of sitting fees. For the financial year 2005-06, subject to approval of shareholders at the 20th Annual General Meeting, the Company proposes to pay remuneration to the non-executive directors (NEDs) by way of commission at a rate not exceeding 1% per annum of the profits of the Company (computed in accordance with Section 309(5) of the Companies Act, 1956). The distribution of commission amongst the NEDs is placed before the Board. The commission to NEDs is proposed to be distributed broadly on the basis of their attendance and contribution at the Board and certain Committee meetings as well as the time spent on operational matters other than at the meetings.

The Company pays sitting fees of Rs.10,000/- (Rs.5000/- till 1 March 2006) per meeting to the non-executive directors for attending the meetings of the Board and Committee meetings.

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The Company pays remuneration by way of salary, perquisites and allowances (fixed component) and commission (variable component) to the whole time director. Salary is paid within the range approved by the shareholders. Annual increments, recommended by the Remuneration Committee are approved by the Board. Within the prescribed ceiling, the perquisites package is approved by the Remuneration Committee. Commission is calculated with reference to net profits of the Company in a particular financial year and is determined by the Board of Directors at the end of the financial year based on the recommendations of the remuneration committee, subject to overall ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956. Specific amount payable to the whole-time director is based on the performance criteria laid down by the Board which broadly takes in to account the profits earned by the Company for the year.

- c) The details of commission proposed to be paid to the non-executive directors for the year 2005-06, subject to approval of the shareholders at the Annual General Meeting are as follows:

(Amount in Rs.)

Name of the Director	Commission	Sitting Fees
Mr. Subodh Bhargava (Chairman Board/Audit)	8,23,500	1,15,000
Mr. Ishaat Hussain	2,37,900	70,000
Mr. Kishor Chaukar	3,01,950	95,000
Mr. Pankaj Agrawala	2,65,350	NIL
Dr. Mukund Rajan	1,64,700	50,000
Mr. N. Parameswaran	1,28,100	NIL
Mr. P.V. Kalyanasundaram	1,46,400	45,000
Dr. V.R..S. Sampath	1,37,250	55,000
Mr. R.N. Tata (Chairman Board) [Till 11 April 2005]	45,750	5,000
Mr. Rakesh Kumar [Till 10 August 2005]	54,900	NIL
Mr. Suresh Krishna [Till 21 March 2006]	54,900	20,000
Mr. Vivek Singhal [Till 9 September 2005]	54,900	15,000
Dr. Ashok Jhunjunwala [Till 9 September 2005]	2,10,450	70,000
Mr. F.A. Vandrevala [Till 25 November 2005]	1,46,400	40,000
Total	27,72,450	5,80,000

- d) The details of remuneration to the whole-time director during the year 2005-06 are as follows:

(Amount in Rs.)

Name	Salary	Perquisites & Allowances	Commission*
Mr. N. Srinath	44,85,035	375042	25,00,000
Total	44,85,035	375042	25,00,000

* Commission payable will be paid only after the date of the Annual General Meeting.

5. INVESTOR GRIEVANCE COMMITTEE

The committee consists of three members. The Chairman of the Committee is Mr. Kishor A. Chaukar who is the Managing Director of Tata Industries Limited. The other members are Mr. Pankaj Agrawala, nominee Director of the Government and Dr. V.R.S. Sampath, Independent Director. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the Investor Grievance Committee's secretary. During the last financial year, the Committee held three meetings.

The details of grievances received from the shareholders during the year and their status on 31 March 2006 is given below:

Sr. No.	Nature of Complaints	No. of Complaints	
		Received	Pending
1.	SEBI/Stock Exchange Complaint	2	NIL
2.	Direct/Miscellaneous/ Other Complaint	17	NIL
	TOTAL	19	NIL

This committee has been delegated the powers to approve the issue of Duplicate Share Certificates and approve transfer/transmission of shares exceeding 500 shares per folio. The Registrar and Transfer Agents have been authorised to issue Duplicate Share Certificates and approve transfer/transmission up to a maximum of 500 shares per folio, limited only to routine day-to-day work. As the shares of the company are under compulsory dematerialized trading for all investors, this delegation is considered adequate. All the shares received for transfer till March 31, 2006 have been duly processed.

6. ETHICS AND COMPLIANCE COMMITTEE

In accordance with the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992, as

amended, the Board of Directors of the Company adopted the "VSNL Code Of Conduct For Prevention of Insider Trading and Code of Corporate Disclosure Practices" to be followed by "Directors", "Designated Employees", "Designated Persons" and "Insiders". The code is based on the principle that Directors, Designated Employees, Designated Persons and Insiders should not have undue advantage over other shareholders, in their personal security transactions, due to their possible advance knowledge of Price Sensitive Information. The code, therefore, seeks to ensure timely and adequate disclosure of Price Sensitive Information to the investor community by the Company to enable them to take informed

investment decisions with regard to the Company's securities.

In terms of the said code, an Ethics and Compliance Committee was constituted in 2003. The present committee consists of three members. The Chairman of the committee is Mr. Kishor A. Chaukar, who is the Managing Director of Tata Industries Limited, Mr. Pankaj Agrawala, government nominee director and Dr. V.R.S. Sampath, Independent Director are the members. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the convener of the Committee.

Three meetings of the committee were held during the year 2005-06.

7. 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
1 March 2006	An Extraordinary General Meeting was held at 1500 hours at Birla Matushri Sabhagar, New Marine Lines, Mumbai - 400020. There were two resolutions, both of which were Special.	Both the resolutions were put to vote by show of hands and were carried unanimously.
14 September 2005	The 19th Annual General Meeting was held at 1100 hours at Birla Matushri Sabhagar, New Marine Lines, Mumbai - 400020. There were Six resolutions (1 special and 5 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.
2 September 2004	The 18th Annual General Meeting was held at 1100 hours at Birla Matushri Sabhagar, New Marine Lines, Mumbai - 400020. There were Six resolutions (1 special and 5 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.
2 April 2004	An Extraordinary General Meeting was held at 1500 hours at Birla Matushri Sabhagar, New Marine Lines, Mumbai - 400020. There were two resolutions, both of which were Special.	Both the resolutions were put to vote by show of hands and were carried unanimously.
2 September 2003	The 17th Annual General Meeting was held at 1100 hours at Birla Matushri Sabhagar, New Marine Lines, Mumbai - 400020. There were ten resolutions (2 special and 8 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.

8. DISCLOSURES

- i) 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 the company at large. Note number B.20 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.
- ii) The Company has adopted a Whistle Blower Policy and has established necessary mechanisms for

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employees to report concerns about unethical behaviour. No person has been denied access to the Audit Committee.

iii) SECRETARIAL AUDIT

A qualified practicing Company Secretary carried out quarterly secretarial audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The audits confirm that the total issued/paid-up capital is in agreement with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

iv) The Company fulfilled the following non-mandatory requirements:

a. The Company has setup a Remuneration Committee. Please see the paragraph on Remuneration Committee.

b. REGULATORY AUDIT

Though not required under any statutory obligations but in the interest of better Corporate Governance and benchmarking, VSNL is undergoing a voluntary Regulatory Audit. The Audit is being carried out by M/s. Ernst and Young Pvt. Ltd., an external agency.

c. The Auditor's Report on the financial statements of the Company is unqualified.

9. DISCLOSURE REQUIRED BY CLAUSE 32 OF THE LISTING AGREEMENT

Amount of loans and advances in the nature of loans outstanding from subsidiaries during the year ended 31 March 2006

Name of the Company	Outstanding as at 31 March, 2006 Rupees '000	Maximum amount outstanding during the year Rupees '000	Investment in shares of the Company No of shares	Investment in shares of subsidiaries of the Company No of Shares
a) Subsidiaries				
(i) VSNL Broadband Ltd.	-	-	-	-
(ii) VSNL America Inc.	233,226	233,226	-	*
(iii) VSNL Lanka Ltd	-	-	-	-
(iv) VSNL Singapore Pte Ltd.	2,519,256	6,479,889	-	**
(v) VSNL SNOSPV Pte. Ltd	-	-	-	-

Name of the Subsidiary	No of Shares
* VSNL UK Ltd	1
** VSNL Netherlands BV	16,718,000
** VSNL Bermuda Ltd	1,200,000
** VSNL Japan K.K	300
** VSNL Telecommunications (Bermuda) Ltd.	1,200,000
** VSNL HongKong Ltd	1

Name of the Subsidiary	No of Shares
Subsidiaries of VSNL Netherlands B.V	
VSNL International (US) Inc	3,000
VSNL Telecommunications(UK) Inc	6,500,002
VSNL France SAS	1,847,000
VSNL Spain Srl	2,053,006
VSNL (Portugal) Unipessoal Limitada	1,055,000
VSNL Belgium BVBA	186
VSNL(Germany) GMBH	1
VSNL International (Portugal) Instalacao e Manutencao de Redes LDA	12,447,000
Subsidiaries of VSNL Telecommunications (Bermuda)Ltd	
Teleglobe Bermuda Ltd.	1,200,000
TLGB Luxembourg Holdings S.ar.l	500
Subsidiary of VSNL Telecommunications(US) Inc.	
VSNL International (Guam) LlC	NA
Subsidiaries of TLGB Luxembourg Holdings S. ar.l	
TLGB Netherlands Holdings B.V	18,000
Subsidiaries of Teleglobe Bermuda Ltd	
VSNL International(Poland) Sp. Zo.o	1
ITXC IP Holdings S.a.r.l	500
Teleglobe International Ltd	8,416,801
Teleglobe International HongKong Ltd	10,000
VSNL International Australia Pty. Ltd	555,001
VSNL International GBRM Ltd	1,200,000
VSNL International Puerto Rico Inc	1,000
Teleglobe Asia Pte. Ltd	100,000
Teleglobe Asia Data Transport Pte. Ltd	100,000
ITXC Global Japan YK	120
Teleglobe International Luxembourg S.a.r.l	500

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Name of the Subsidiary	No of Shares
ITXC Global UK Ltd. (Under liquidation)	100
ITXC (UK)Ltd. (Under liquidation)	100
ITXC Global HongKong Ltd. (Under liquidation)	1,180,000
Subsidiary of TLGB Netherlands Holdings B.V	
VSNL International(ITXC) Corp.	1,000
Subsidiaries of Telelobe International Luxembourg S.a.r.l	
Teleglobe International Belgium S.P.R.L	1
Teleglobe Italy S.r.l	500
Teleglobe Netherlands B.V	22,000
Subsidiaries of Teleglobe Netherlands B.V	
Teleglobe Italy S.r.l	9,500
Teleglobe France International S.A.S	37,000
TLGB International Germany GmbH	1
Teleglobe Spain Communications S.L	278,939
Teleglobe International Belgium S.P.R.L	99
Teleglobe Canada ULC	402
VSNL International(Poland) Sp. Zo.o	999
VSNL International (Nordics) AS	1,000
Subsidiary of VSNL Portugal Unipessol Limitada	
VSNL International (Portugal) Instalacao e Manutencao de Redes LDA	12,447,000
Subsidiaries of VSNL International (ITXC) Corp.	
Teleglobe America Inc	100
VSNL International (Global) Corp.	100
Enhanced Services Inc (Under liquidation)	NA
Subsidiaries of VSNL International (Global) Corp.	
ITXC Global Zagreb d.o.o (Under liquidation)	20,000
Subsidiaries of Teleglobe America Inc	
VSNL International IPCO LLC	NA

10. MEANS OF COMMUNICATION

VSNL's quarterly results are published in the Indian Express and Loksatta among others, and are also hosted on VSNL's website: www.vsnl.in. 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 the period ending 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 2005-06. Segmental information may be referred to in Note number B.19 of the Notes on Accounts.

11. SHAREHOLDER INFORMATION

DATE AND VENUE OF THE AGM

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 Road Marg, Kalghoda, Mumbai - 400023.

FINANCIAL CALENDAR

Fiscal year ending : March 31, 2006

Annual General Meeting : September 13, 2006

KEY FINANCIAL REPORTING DATES FOR THE FINANCIAL YEAR 2006-07

First quarter ending June 30, 2006 : July 29, 2006

Second quarter ending Sept 30, 2006: On or before

October 31, 2006

Third quarter ending Dec 31, 2006 : On or before

January 31, 2007

Fourth quarter ending : On or before April

March 31, 2007 30, 2007 or if

audited, on or

before

June 30, 2007.

BOOK CLOSURE DATES FOR THE PURPOSE OF DIVIDEND

VSNL's register of members and share transfer books will remain closed from 16 August 2006 to 22 August 2006 (both days inclusive), to determine the entitlement of shareholders to receive the final dividend as may be declared for the year ended March 31, 2006.

DIVIDEND PAYMENT

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.

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 (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 and updated with 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) and National Stock Exchange (NSE) in India. Annual listing fees as due to each of the above stock exchanges for 2006-2007 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.

DEPOSITORY BANK FOR ADR HOLDERS

The Bank of New York, 101, Barclays Street, 22nd Floor West, New York, NY 10286, Telephone: +1 (212) 815 8365, Facsimile: +1 (212) 571 3050

Local Address : The Bank of New York, Express Towers, 12th Floor, Nariman Point, Mumbai 400 021, Telephone: (022) 2204 4941/43, Facsimile: (022) 2204 4942.

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CUSTODIAN FOR THE DEPOSITORY IN INDIA

ICICI Bank Limited, Securities Markets Services, 1st Floor,
Empire Complex, 414 Senapati Bapat Marg, Lower Parel,
Mumbai – 400013. Telephone: 91-22-5667 2026, 5667 2030
Facsimile: 91-22-5667 2779/2740.

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

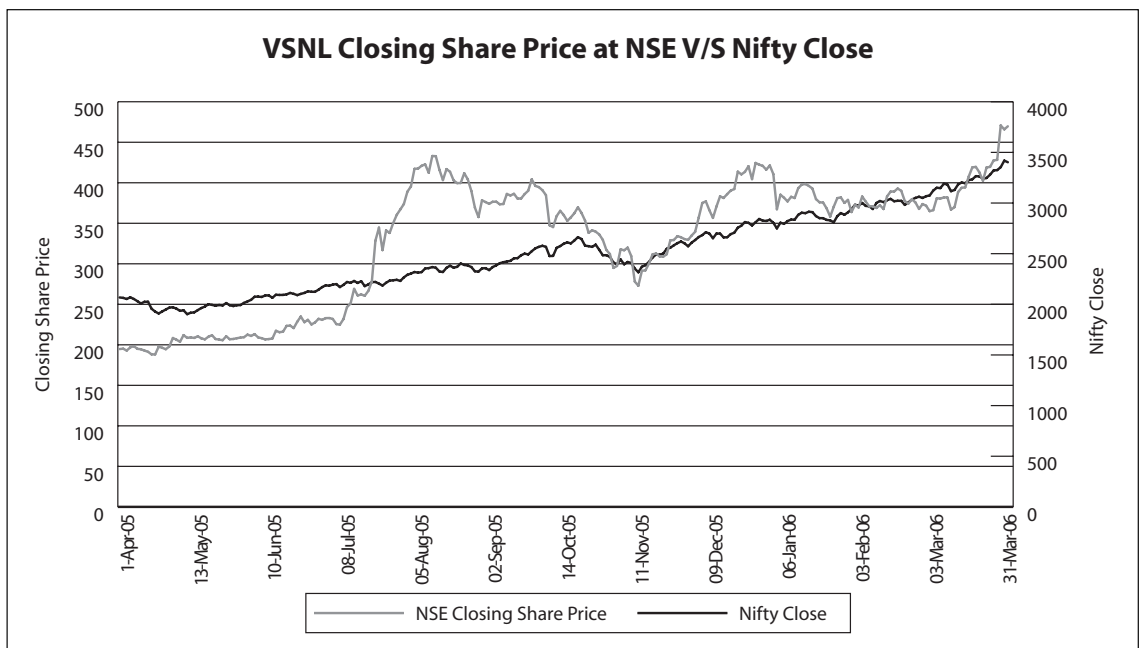
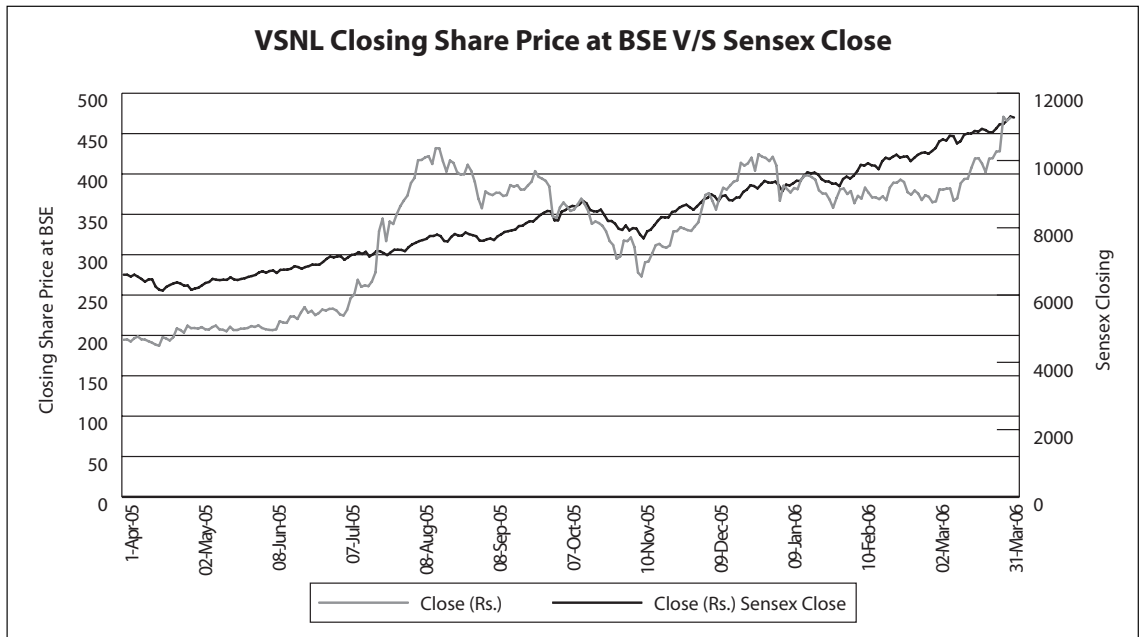
Reuters Codes

VSNL.BO (BSE)
VSNL.NS (NSE)
VSNLq.L (LSE).

STOCK MARKET DATA RELATING TO SHARES LISTED IN INDIA

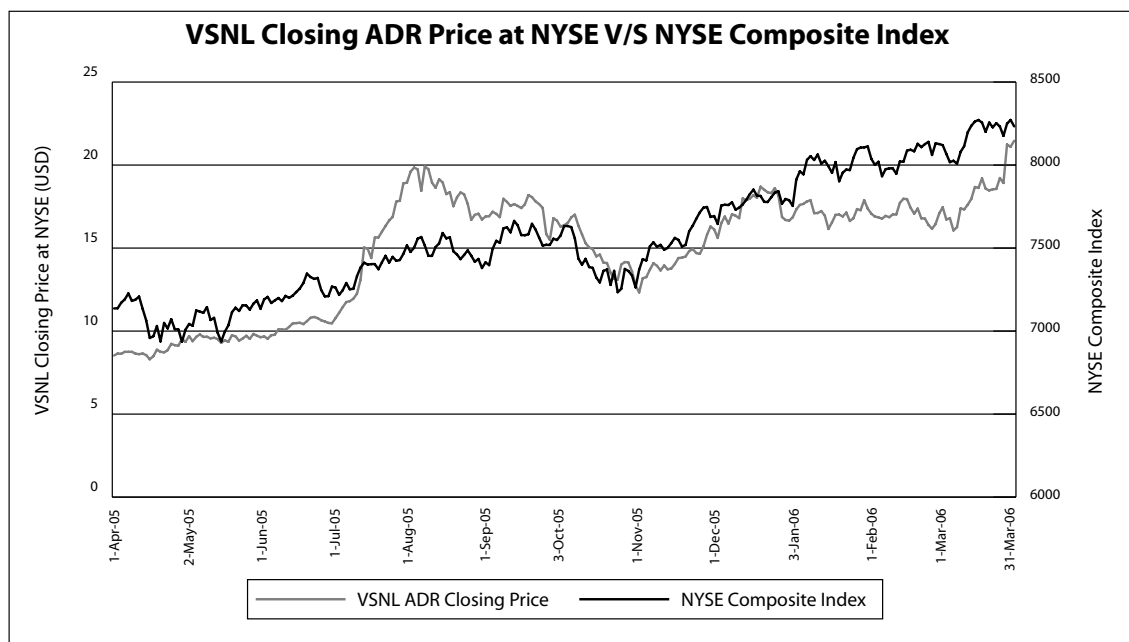
Monthly high and low quotations and volume of shares/ADRs traded at BSE, NSE & NYSE for 2005-2006 are:

Month	BSE Share Price			NSE Share Price			NYSE ADR Price in USD		
	High	Low	Volume	High	Low	Volume	High	Low	Volume
Apr-05	218.00	180.00	1891929	208.60	194.80	5837756	10.04	7.83	1702200
May-05	215.00	196.00	1070946	209.15	206.65	3440165	9.61	8.30	820700
Jun-05	251.90	206.50	4107489	246.65	207.10	10368247	9.85	9.20	2959000
Jul-05	444.00	243.00	41461082	417.50	250.90	107345506	11.35	9.45	5012000
Aug-05	444.70	347.15	44967171	433.05	357.70	111947988	19.70	11.33	4234400
Sep-05	408.70	328.00	15851379	404.30	345.30	46120535	19.94	16.29	2223500
Oct-05	372.40	270.10	15636391	369.75	272.90	44314645	18.23	15.30	2531200
Nov-05	379.90	287.00	20765253	377.05	291.90	59428570	17.15	12.15	2649600
Dec-05	430.55	355.50	35435974	424.50	367.30	95856103	16.35	12.95	1808500
Jan-06	406.20	351.00	14028299	398.50	358.20	39864907	18.95	16.15	1963800
Feb-06	402.45	362.50	9176451	392.90	364.95	29363269	18.19	16.01	1200600
Mar-06	493.45	362.00	30940616	470.75	366.20	57258468	18.25	16.16	2672600
Total			235332980			611146159			29778100



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SHARE TRANSFER SYSTEM

Share transfers in physical form can be lodged with 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. The Investor Grievances Committee is empowered to approve the share transfers. However, in the interests of shareholder friendliness, the R&T Agents have been empowered to approve the share transfers up to 500 shares per folio per transfer.

DISTRIBUTION OF SHAREHOLDING

Number of ordinary shares held	Number of Shareholders	
	31.03.2006	31.03.2005
1 to 500	51536	59450
501 to 1000	1295	1751
1001 to 10000	1624	2154
Over 10000	183	115
Total	54638	63470

Dematerialisation of Shares and Liquidity

Approx 99.9% of the company's share capital available in the market is dematerialised as on March 31, 2006. The company's shares are regularly traded on the Bombay Stock Exchange Limited and the National Stock Exchange, as is evident from the table containing stock market data.

CATEGORIES OF SHAREHOLDERS AS OF 31 MARCH

Category	Number of Shareholders		Voting Strength (Percentage)		Number of Shares Held	
	2006	2005	2006	2005	2006	2005
PROMOTERS						
Tata Group						
- Panatone Finvest Limited	2	2	40.61	45.00	115738857	128250000
- Tata Sons Limited	2	2	3.64	1.58	10360497	4494497
- The Tata Power Company Limited	1	0	0.90	0	2575837	0
- The Tata Iron & Steel Company Limited	0	0	0.00	0	0	0
- Tata Industries Limited	0	0	0.00	0	0	0
Central Government	1	1	26.12	26.12	74446885	74446885
NON-PROMOTERS						
Indian Public Financial Institutions	43	47	9.36	9.13	26686978	26010736
Indian nationalised banks	12	9	0.09	0.16	248448	466485
Foreign Financial Institutions	88	34	9.66	2.35	27528395	6696329
Foreign companies (shares held by The Bank of New York as depository for ADRs)	2	2	5.99	11.25	17081284	32071857
Non-resident individuals / Overseas Corporate Bodies	446	393	0.05	0.06	144635	178508
Other Indian Bodies Corporate	1730	1420	0.88	0.74	2494521	2101892
Indian Public	52310	61559	2.70	3.61	7691428	10280576
In transit demat shares	1	1	0.00	0.00	2235	2235
Total	54638	63470	100	100	285000000	285000000

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Outstanding ADRs

8540642 ADRs (each representing two ordinary share of the company) are outstanding as of March 31, 2006. 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 follows:

Dates	Particulars of Issue	Number of Shares	Total Number of Shares	Nominal Value of Shares (Rs.)
19.3.86	Allotted as Purchase consideration for assets & liabilities of OCS	126	126	126,000
1.4.86	Allotted as Purchase consideration for assets & liabilities of OC	+599,874	600,000	600,000,000
	March'91 Shares of Rs.1000/- each subdivided into shares of Rs.10/- each	NIL	60,000,000	600,000,000
06.02.92	Bonus of 1:3 issued to Government of India.	+20,000,000	80,000,000	800,000,000
Jan-Feb 92	12 million shares disinvested in favour of Indian Financial Institutions by GOI @ Rs.123/- per share	NIL	80,000,000	800,000,000
1994-95	2,382,529 Shares transferred to disinvested parties as bonus shares	NIL	80,000,000	800,000,000
27.03.97	VSNL raised its share capital by way of GDR Issue, and also GOI Divested 39 lakh shares in GDR markets @ US\$13.93 per GDR equivalent to Rs.1000 per share.	+12,165,000	92,165,000	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	95,000,000	950,000,000
Feb. 1999	10million shares divested by GOI in GDR markets @ US\$9.25 per GDR equivalent to Rs.786.25 per share.	NIL	95,000,000	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	95,000,000	950,000,000
Sept'99	10 lakh shares Divested by GOI in domestic markets @ Rs.750 per share.	NIL	95,000,000	950,000,000
15 August 2000	Listing of ADRs on New York Stock Exchange	NIL	95,000,000	950,000,000
24.11.2000	Bonus shares in the ratio of 2:1.	+190,000,000	285,000,000	2,850,000,000
27.9.2001	VSNL declares dividend @ 500% i.e. Rs.50/- per share at 15 AGM.	NIL	285,000,000	2,850,000,000
January 2002	VSNL pays special interim Dividend of 750% i.e. Rs.75/- per share	NIL	285,000,000	2,850,000,000

Dates	Particulars of Issue	Number of Shares	Total Number of Shares	Nominal Value of Shares (Rs.)
13.02.2002	25% of VSNL Stake transferred to Tata Group's investment vehicle Panatone Finvest Ltd. Govt holdings reduced to 27.97% from 52.97%. VSNL ceases to be a Government of India Enterprise	NIL	285,000,000	2,850,000,000
21.02.2002	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	285,000,000	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	285,000,000	2,850,000,000
08.06.02	Open offer complete with Panatone holding total of 128249910 shares including 57 million shares as above.	NIL	285,000,000	2,850,000,000

Locations of Other Offices

Regional Offices : Mumbai, Chennai, Kolkata 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 Bhavan (VSB)
Mahatma Gandhi Road,
Mumbai - 400 001.
Tel : +91 (22) 6657 8765
Fax : +91 (22) 6639 5162
Email : help@vsnl.com
Website : www.vsnl.in

Corporate Office

Lokmanya Videsh Sanchar Bhavan (LVSB)
Kashinath Dhuru Marg
Prabhadevi Mumbai – 400 028.
Tel : +91 (22) 6657 8765
Fax : +91 (22) 6639 5162
Email : help@vsnl.com
Website : www.vsnl.in

Compliance Officer

Mr. Satish Ranade
Company Secretary & Chief Legal Officer
Lokmanya Videsh Sanchar Bhavan
Kashinath Dhuru Marg, Prabhadevi,
Mumbai - 400 028.
Tel : +91 (22) 6657 8765
Fax : +91 (22) 6659 1962
Email : satish.ranade@vsnl.co.in

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

Investor Relations Cell
Videsh Sanchar Nigam Limited
Lokmanya Videsh Sanchar Bhavan
Kashinath Dhuru Marg, Opposite Kirti College,
Prabhadevi, Mumbai - 400 028.
Tel : +91 (22) 66578765
Fax: +91 (22) 66395162
Email: investor.relations@vsnl.co.in

Any shareholder complaints/queries may be addressed to:

Registrar and Transfer Agents

M/s. Sharepro Services (India) Pvt. Ltd.
Unit : Videsh Sanchar Nigam Limited
Satam Estate, 3rd Floor,
Above Bank of Baroda,
Chakala, Andheri (East),
Mumbai - 400 099.
Tel : +91 (22) 2821 5168
Fax : +91 (22) 2837 5646
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