

REPORT ON CORPORATE GOVERNANCE FOR THE YEAR 2006-07

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

Corporate governance is the system by which the objectives of an organization are set, the means of attaining those objectives are provided, performance monitoring guidelines are set thus encouraging the use of resources efficiently to meet the needs of the individual, the corporation and the society at large. Corporate governance is about promoting corporate fairness, transparency and accountability. The corporate governance structure specifies the distribution of rights and responsibilities of the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs.

1. CORPORATE GOVERNANCE PHILOSOPHY AND PRACTICE

VSNL has evolved from the only ILD player in India to a multi-national corporation having its presence felt across the globe. Today, VSNL being one of the leaders in the global ILD market, the challenge 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. Besides, VSNL being listed on the New York Stock Exchange, it has to comply with the stringent rules and regulations of the Sarbanes-Oxley Act, 2002 (SOX). The Company believes that achieving SOX compliance will inter-alia enhance its financial reporting structure. 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 and 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.

Ten out of eleven 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 2007 (with Directorships updated as of 3 July 2007) are given below:

Name	Category	Board Meetings during the tenure		Attendance at the last AGM (13.09.2006)	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]	Independent Non Executive	9	8	Yes	2	11	3	7
Mr. N. Srinath [Managing Director: w.e.f. 2 February 2007]	Not Independent Executive	9	9	Yes	1	2	NIL	NIL
Mr. Kishor A. Chaukar	Not Independent Non Executive	9	9	Yes	1	9	2	2

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		Held	Attended		Chairman	Member	Chairman	Member
Directors in Office								
Mr. Pankaj Agrawala ¹	Not Independent Non Executive	9	5	No	NIL	2	NIL	2
Dr. Mukund Rajan	Not Independent Non Executive	9	9	Yes	NIL	4	NIL	NIL
Mr. N. Parameswaran ¹	Not Independent Non Executive	9	9	Yes	NIL	2	NIL	NIL
Mr. P.V. Kalyanasundaram	Independent Non Executive	9	8	Yes	NIL	1	NIL	1
Dr. V.R.S. Sampath	Independent Non Executive	9	8	Yes	NIL	2	NIL	1
Mr. Amal Ganguli [w.e.f. 17 July 2006]	Independent Non Executive	8	6	No	NIL	10	4	4
Mr. Vinod Kumar [w.e.f. 2 February 2007]	Not Independent Non Executive	2	1	N/A	NIL	2	NIL	NIL
Mr. S. Ramadorai [w.e.f. 28 June 2007]	Not Independent Non Executive	N/A	N/A	N/A	2	11	1	3
Directors served during the year								
Mr. Ishaat Hussain [Until 27 June 2007]	Not Independent Non Executive	9	8	Yes	2	12	4	6

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.
- Apart from Directors' Remuneration, the Company did not have any pecuniary relationship or transactions with non-executive directors during 2006-07.
- The detailed resume of each director and the details of the directors proposed to be appointed / reappointed at the 21st 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 9 board meetings were held are as follows:

26 June 2006	29 July 2006	22 August 2006	13 September 2006
31 October 2006	1 December 2006	30 January 2007	2 February 2007
14 March 2007			

3. AUDIT COMMITTEE

The audit committee consists of four members. The Chairman of the committee is Mr. Amal Ganguli, an independent director, who is Fellow of the Institute of Chartered Accountants in England and Wales, Fellow of Institute of Chartered Accountants of India, Fellow of British Institute of Management, Member of New Delhi Chapter of Institute of Internal Auditors, Florida, USA. Mr. Amal Ganguli

became the Chairman of the Audit Committee w.e.f. 19 October 2006.

The other members of the committee are Mr. Subodh Bhargava, Independent Director, Mr. Pankaj Agrawala, Government Nominee Director, Mr. P.V. Kalyanasundaram, 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

VIDESH SANCHAR NIGAM LIMITED

Twenty First Annual Report 2006-2007

was a member of the Audit Committee till 24 October 2005, was a special invitee for Audit Committee meetings till his cessation of Director of VSNL w.e.f. 27 June 2007.

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 2006-2007	
	Held during Tenure	Attended
Mr. Subodh Bhargava [Chairman till 19 October 2006]	9	8
Mr. Amal Ganguli [Member w.e.f. 17 July 2006 and Chairman from 19 October 2006]	6	6
Mr. Pankaj Agrawala	9	5
Mr. P.V. Kalyanasundaram	9	7
Mr. Ishaat Hussain (Special Invitee) [Member till 24 October 2005 and Special Invitee till 27 June 2007]	9	7

At the Annual General Meeting held on 13 September 2006, the Chairman of the Audit Committee, Mr. Subodh Bhargava was present. During the last financial year, the Audit Committee held nine meetings and not more than four months had elapsed between any two meetings. The dates of meetings of the Audit Committee are as follows:

5 May 2006	29 May 2006	26 June 2006
29 July 2006	22 August 2006	19 October 2006
30 October 2006	30 January 2007	16 February 2007

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. Two meetings of the Remuneration Committee were held on 3 April 2007 and 26 May 2007. Mr. N. Parameswaran has been

appointed as member of the Remuneration Committee by the Board on 26 May 2007.

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

For the financial year 2006-07, 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. Mr. Vinod Kumar, Director who is in employment of a VSNL subsidiary is not paid sitting fees or commission.

The Company pays sitting fees of Rs.10,000/- per meeting to the non-executive directors for attending the meetings of the Board and Committee meetings.

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 to be paid to the non-executive directors for the year 2006-07 are as follows:

(Amount in Rs.'000)

Name of the Director	Commission	Sitting Fees
Mr. Subodh Bhargava (Chairman Board; Chairman of Audit Committee till 19 October 2006)	659.3	190.0
Mr. Ishaat Hussain	317.2	150.0
Mr. Kishor Chaukar	242.9	200.0
Mr. Pankaj Agrawala	297.4	140.0
Dr. Mukund Govind Rajan	178.5	130.0
Mr. N. Parameswaran	218.1	110.0
Mr. P.V. Kalyanasundaram	317.2	150.0
Dr. V.R..S. Sampath	198.3	160.0
Mr. Amal Ganguli (Chairman of Audit Committee from 19 October 2006)	356.9	140.0
Mr. Vinod Kumar* (Director w.e.f. 2 February 2007)	NIL	NIL
Mr. S. Ramadorai (Director w.e.f. 28 June 2007)	N/A	N/A
Total	2785.8	1370.0

* Mr. Vinod Kumar being the managing director and employee of an international subsidiary of VSNL, no sitting fees/commission is deemed payable to him.

- d) The details of remuneration to the whole-time director during the year 2006-07 are as follows:

(Amount in Rs.'000)

Name	Salary	Perquisites & Allowances	Commission*
Mr. N. Srinath	4445.99	640.86	3500.00
Total	4445.99	640.86	3500.00

* 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 four meetings on 26 June 2006, 29 July 2006, 31 October 2006 and 30 January 2007.

The details of grievances received from the shareholders during the year and their status on 31 March 2007 is given below:

Sr. No.	Nature of Complaints	No. of Complaints	
		Received	Pending
1.	SEBI/Stock Exchange Complaint	NIL	NIL
2.	Direct/Miscellaneous/ Other Complaint	8	NIL
	TOTAL	8	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 31 March 2007 has 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

VIDESH SANCHAR NIGAM LIMITED

Twenty First Annual Report 2006-2007

Director are the members. Mr. Satish Ranade, Company Secretary and Chief Legal Officer is the convener of the Committee.

Four meetings of the committee were held during the year 2006-07 on 26 June 2006, 29 July 2006, 31 October 2006 and 30 January 2007.

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
13 September 2006	The 20 th Annual General Meeting was held at 1100 hours at MC Ghia Hall, Bhogilal Hargovindas Building, Second Floor, 18/20 Kaikhushru Dubash Marg, Kalaghoda, Mumbai 400023. There were Ten resolutions (2 special and 8 ordinary).	All the resolutions were put to vote by show of hands and were carried unanimously.
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 19 th 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 18 th 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.

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 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. The Auditors' 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 2007

Name of the Company	Outstanding as at 31 March, 2007	Maximum amount outstanding during the year	Investment in shares of the Company	Investment in shares of subsidiaries of the Company
	Rs. in crores	Rs. in crores	No of shares	No of Shares
a) Subsidiaries				
(i) VSNL Broadband Ltd.	-	-	-	-
(ii) VSNL America Inc.	-	25.61	-	*
(iii) VSNL Lanka Ltd	-	-	-	-
(iv) VSNL International Pte Ltd. (formerly VSNL Singapore Pte Ltd.)	28.31	255.11	-	**
(v) VSNL SNO SPV Pte. Ltd	-	-	-	-
(vi) Direct Internet Limited	-	-	-	***
(vii) VSNL Global Services Ltd.	1.29	1.29	-	-

Name of the Subsidiary	No of Shares
* VSNL UK Ltd	1
** VSNL Netherlands BV	16,718,000
** VSNL International (Bermuda) Ltd	1,200,000
** VSNL International Japan K.K	300
** VSNL Telecommunications (Bermuda) Ltd.	1,200,000
** VSNL HongKong Ltd	1
*** VSNL Internet Services Ltd. (formerly DIL Internet Limited)	500,004
Subsidiaries of VSNL Netherland B.V	
VSNL International (US) Inc	3,000
VSNL Telecommunications(UK) Limited	6,500,002
VSNL France SAS	1,847,000
VSNL Spain Srl	4,13,006
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
VSNL International (Guam) L.L.C	NA
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

VIDESH SANCHAR NIGAM LIMITED

Twenty First Annual Report 2006-2007

Name of the Subsidiary	No of Shares
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
VSNL International HongKong Ltd	10,000
VSNL International Australia Pty. Ltd	555,001
VSNL International GBRM Ltd	12,000
VSNL International Puerto Rico Inc	1,000
Teleglobe Asia Pte. Ltd	100,000
Teleglobe Asia Data Transport Pte. Ltd	2
Teleglobe Global Japan YK	120
Teleglobe International Luxembourg S.a.r.l	500
ITXC Global UK Ltd. (Under liquidation)	NA
ITXC (UK)Ltd. (Under liquidation)	NA
ITXC Global HongKong Ltd. (Under liquidation)	1,180,000
Subsidiary of TLGB Netherlands Holdings B.V	
VSNL International(ITXC) Corp.	1,000
Subsidiaries of Teleglobe International Luxembourg S.a.r.l	
Teleglobe International Belgium S.P.R.L	1
VSNL International (Italy) S.r.l	500
Teleglobe Netherlands B.V	22
Subsidiaries of Teleglobe Netherlands B.V	
VSNL International (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 Teleglobe America Inc	
VSNL International IPCO LLC	NA

10. MEANS OF COMMUNICATION

VSNL's quarterly results are ordinarily 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 30 September and 31 March every year.

The management discussion and analysis forms part of the directors' report and is included in the annual report for the year 2006-07. 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 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, Kalaghoda, Mumbai - 400023.

FINANCIAL CALENDAR

Fiscal year ending : 31 March 2007
Annual General Meeting : 2 August 2007

KEY FINANCIAL REPORTING DATES FOR THE FINANCIAL YEAR 2007-08

First quarter ending 30 June 2007	: On or before 31 July 2007
Second quarter ending 30 September 2007	: On or before 31 October 2007
Third quarter ending 31 December 2007	: On or before 31 January 2008
Fourth quarter ending 31 March 2008	: On or before 30 April 2008 or if audited, on or before 30 June 2008.

BOOK CLOSURE DATES FOR THE PURPOSE OF DIVIDEND

VSNL's register of members and share transfer books will remain closed from 17 July 2007 to 2 August 2007 (both days inclusive) for the purpose of ascertaining eligibility to shareholders to receive the final dividend as may be declared for the year ended 31 March 2007.

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 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 the 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.

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 15 August 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.

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: 91-22-6667 2026, 6667 2030 Facsimile: 91-22-6667 2779/2740.

VIDESH SANCHAR NIGAM LIMITED

Twenty First Annual Report 2006-2007

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

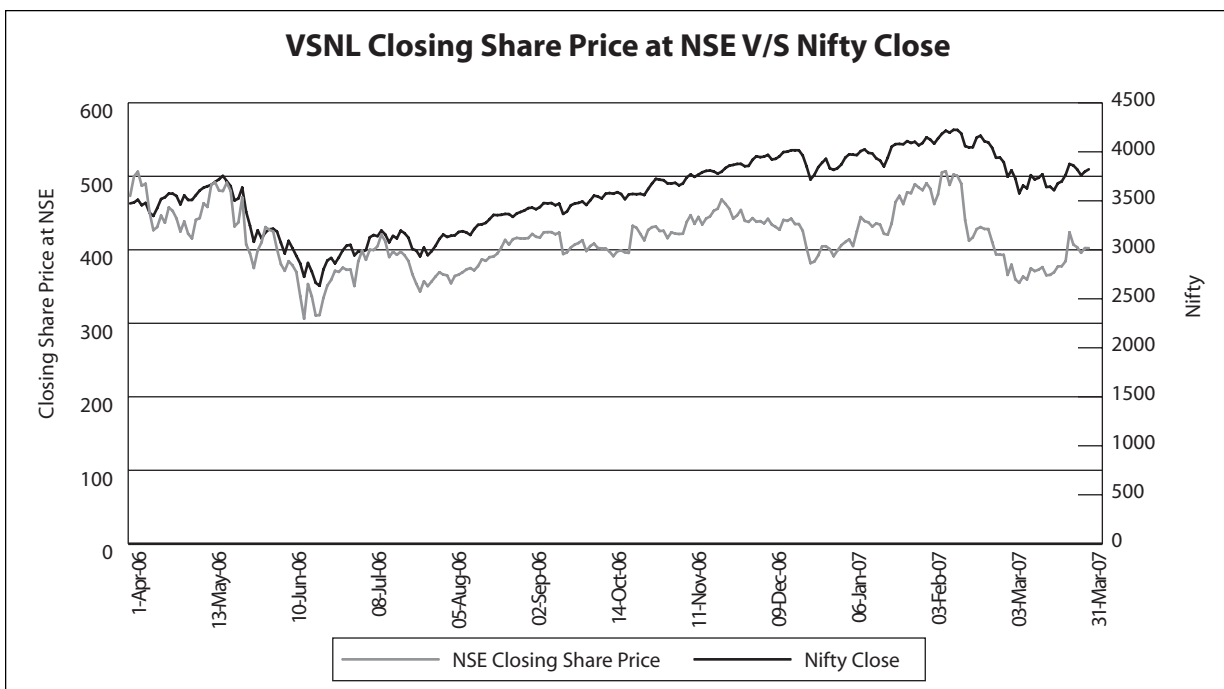
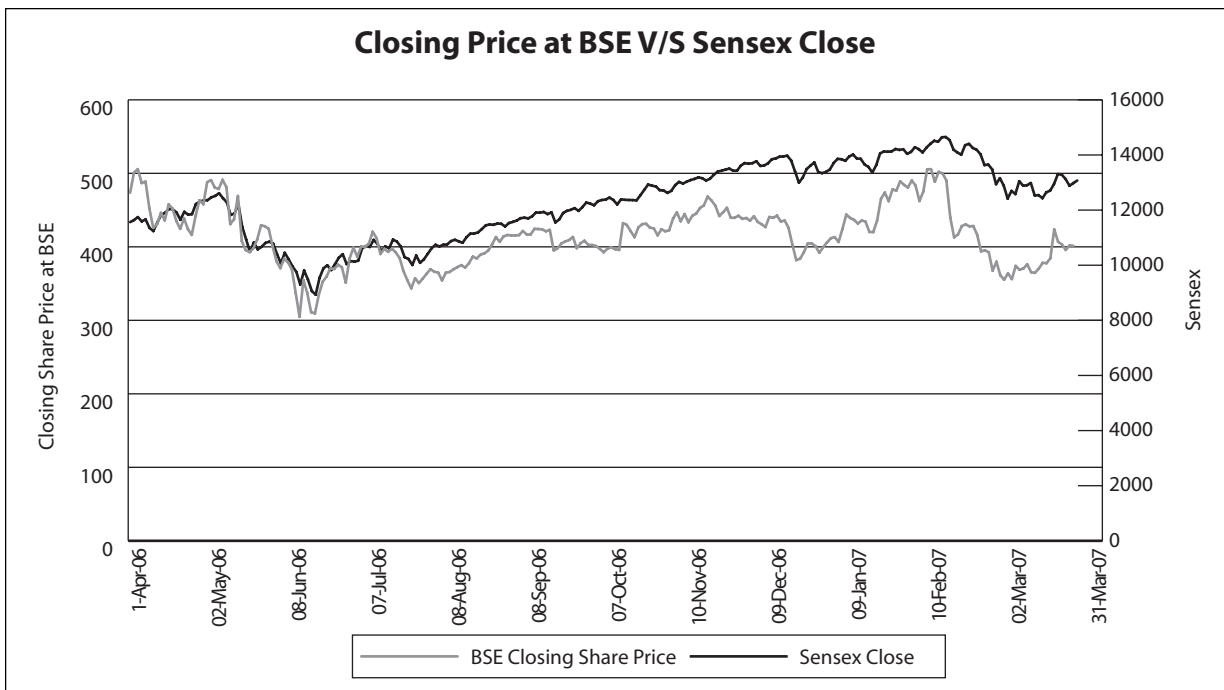
Reuters Codes

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

STOCK MARKET DATA RELATING TO SHARES LISTED IN INDIA

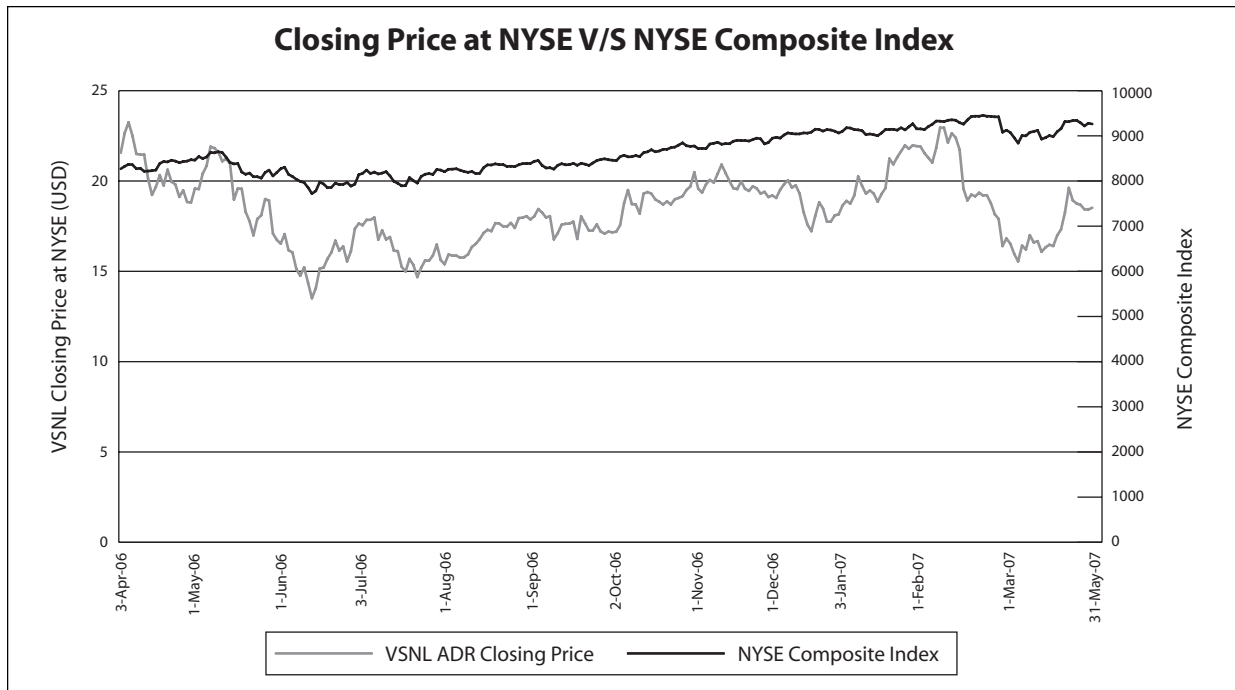
Monthly high and low quotations and volume of shares traded at BSE & NSE for 2006-2007 are:

Month	BSE Share Price (In Rs.)			NSE Share Price (In Rs.)			NYSE ADR Price (in USD)		
	High	Low	Volume	High	Low	Volume	High	Low	Volume
Apr-06	515.35	374.00	19150716	515.80	380.00	44380002	23.67	16.65	2120900
May-06	506.65	320.00	22045024	506.90	317.00	64905040	22.00	16.26	3018900
Jun-06	416.20	300.05	29911996	415.80	300.10	69118023	17.65	13.01	2910400
Jul-06	429.70	337.80	19760170	425.00	337.40	43459228	18.20	14.65	1822200
Aug-06	427.45	349.00	14968880	427.50	348.00	30410470	18.19	15.30	1452000
Sep-06	431.65	385.00	8730190	431.90	384.25	17076452	18.46	16.35	1025400
Oct-06	452.00	393.95	11411057	452.40	393.55	29659293	20.49	17.02	2280400
Nov-06	472.00	424.00	8278599	472.90	392.00	24230314	21.08	18.50	1955200
Dec-06	447.85	371.55	3525479	448.00	370.05	12921346	20.33	17.15	1782900
Jan-07	495.95	409.05	5724369	496.00	409.00	18347762	22.56	18.36	1770500
Feb-07	514.90	359.75	4213429	514.90	352.25	14990004	23.20	16.26	2064930
Mar-07	428.40	342.20	4087477	433.00	336.60	12269762	19.96	15.30	2149500



VIDESH SANCHAR NIGAM LIMITED

Twenty First Annual Report 2006-2007



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	
	31.03.2007	31.03.2006
1 to 500	58054	51536
501 to 1000	1206	1295
1001 to 10000	1507	1624
Over 10000	156	183
Total	60923	54638

Dematerialisation of Shares and Liquidity

Approx 99.91% of the Company's share capital available in the market is dematerialised as on 31 March 2007. 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.

CATEGORIES OF SHAREHOLDERS AS OF 31 MARCH

Category	Number of Shareholders		Voting Strength (Percentage)		Number of Shares Held	
	2007	2006	2007	2006	2007	2006
PROMOTERS						
Tata Group						
– Panatone Finvest Limited	2	2	40.70	40.61	115988857	115738857
– Tata Sons Limited	2	2	8.51	3.64	24260497	10360497
– The Tata Power Company Limited	1	1	0.90	0.90	2575837	2575837
– Tata Iron & Steel Company Limited	0	0	0.00	0.00	0	0
– Tata Industries Limited	0	0	0.00	0.00	0	0
Central Government	1	1	26.12	26.12	74446885	74446885
NON-PROMOTERS						
Indian Public Financial Institutions	76	43	11.22	9.36	31988206	26686978
Indian Nationalised Banks	13	12	0.12	0.09	341893	248448
Foreign Financial Institutions	62	88	2.83	9.66	8076944	27528395
Foreign companies (shares held by The Bank of New York as depository for ADRs)	2	2	6.18	5.99	17608384	17081284
Non-resident individuals / Overseas Corporate Bodies	555	446	0.05	0.05	149617	144635
Other Indian Bodies Corporate	1412	1730	0.81	0.88	2306837	2494521
Indian Public	58797	52310	2.56	2.70	7256043	7691428
Total	60923	54638	100	100	285000000	285000000

Outstanding ADRs

8804192 ADRs (each representing two ordinary share of the Company) are outstanding as of 31 March 2007. In respect of these ADRs, the option to convert into shares is alive.

VIDESH SANCHAR NIGAM LIMITED

Twenty First Annual Report 2006-2007

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 OCS	+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
15.8.2000	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 : +9122 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 : +9122 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 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 : (022) 2821 5168
Fax : (022) 2837 5646
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 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

**DECLARATION REGARDING COMPLIANCE BY BOARD
MEMBERS AND SENIOR MANAGEMENT PERSONNEL
WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and senior management of the Company.

I confirm that the Company has in respect of the financial year ended March 31, 2007, received from the senior management team of the Company and the Members of the Board a declaration of compliance with the Code of Conduct as applicable to them.

Place: Mumbai
Date: 26 May 2007

N. Srinath
Managing Director

**CHIEF EXECUTIVE OFFICER (CEO) AND CHIEF FINANCIAL OFFICER (CFO)
CERTIFICATION FOR THE YEAR 2006-07**

As required under Clause 49(V) of the Listing Agreement with Indian Stock Exchanges, the under signed hereby confirm the following:

- a) We have reviewed financial statements and the cash flow statement for the year and that to the best of our knowledge and belief:
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b) There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d) We have indicated to the Auditors and the Audit Committee the following:
 - i) significant changes in internal control over financial reporting during the year, if any;
 - ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements, if any; and
 - iii) There have been no instances of significant fraud of which we have become aware.

Place: Mumbai
Date: 26 May 2007

Rajiv Dhar
(Chief Financial Officer)

N. Srinath
(Managing Director)

Secretary Responsibility Statement

The Company Secretary & Chief Legal Officer confirms that the company has:

- (i) maintained all the books of account and statutory registers required under the Companies Act, 1956 ("the Act") and the rules made thereunder;
- (ii) filled all the forms and returns and furnished all the necessary particulars to the Registrar of Companies and/or authorities as required by the Act;
- (iii) issued all notices required to be given for convening of board meetings and the general meeting, within the time limit prescribed by law;
- (iv) conducted the board meetings and annual general meeting as per the Act;
- (v) complied with all the requirements relating to the minutes of the proceedings of the meetings of the directors and the shareholders;
- (vi) made due disclosures required under the Act including those required in pursuance of the disclosures made by the directors;
- (vii) obtained all the necessary approvals of directors, shareholders, the central government and other authorities as per the requirements;
- (viii) effected share transfers and dispatched the certificates within the statutory time limit;
- (ix) paid dividend amounts to the shareholders and transferred unpaid dividend amounts, if applicable, to the general revenue account of the central government or the investor education and protection fund within the time limit prescribed;
- (x) complied with the requirements of the listing agreement entered into with the stock exchanges in India and the requirements of the New York Stock Exchange.

The Company has also complied with other statutory requirements under the Companies Act, 1956 and other related statutes in force.

Dated : 26 May 2007

Satish Ranade
Company Secretary
& Chief Legal Officer

AUDITORS' CERTIFICATE ON COMPLIANCE WITH THE CONDITIONS OF CORPORATE GOVERNANCE UNDER CLAUSE 49 OF THE LISTING AGREEMENTS

To the Members of

VIDESH SANCHAR NIGAM LIMITED

We have examined the compliance of conditions of corporate governance by **VIDESH SANCHAR NIGAM LIMITED** (the 'Company'), for the year ended on 31 March, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementation thereof, adopted by the Company for ensuring compliance with the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is nether an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. B. BILLIMORIA & CO.**
Chartered Accountants

N VENKATRAM
Partner
Membership No: 71387

Mumbai, 3 July, 2007