



VIDESH SANCHAR NIGAM LIMITED

REGD. OFFICE: VIDESH SANCHAR BHAVAN, M.G. ROAD, MUMBAI-400001.

A. AUDITED FINANCIAL RESULTS FOR THE YEAR ENDED MARCH 31, 2006

		(Rs. in millions)			
Particulars		For the quarter ended March 31,		For the year ended March 31,	
		2006 (unaudited)	2005 (unaudited)	2006 (audited)	2005 (audited)
1	Net Sales/ Income from operations	9,595	8,786	37,810	33,030
2	Other Income	698	324	1,724	1,075
3	Interest on Income Tax Refunds	-	-	564	-
4	Total Income	10,293	9,110	40,098	34,105
5	Total Expenditure	7,267	6,766	29,052	25,339
	a. Network Costs	5,004	5,063	20,959	20,031
	b. Operating and Other Expenses	1,684	1,343	6,002	3,895
	c. Salaries and Related Costs	579	360	2,091	1,413
6	Interest Expense	16	1	18	1
7	Depreciation	1,023	741	3,594	2,439
8	Prior Period Adjustments	11	-	(109)	-
9	Profit before taxes and exceptional items (1+2+3)- (5+6+7+8)	1,976	1,602	7,543	6,326
10	Exceptional Items:				
	a. Profit from sale of long-term investment, net of licence fee	-	4,109	-	4,687
	b. Provision for recoverable pension obligation	(64)	(473)	(64)	(473)
	c. Assets written off	(612)	-	(612)	-
11	Profit Before Tax (9+10)	1,300	5,238	6,867	10,540
12	Provision for Taxation	185	1,246	2,071	2,976
	Current Tax	429	892	2,275	2,050
	Deferred Tax	(254)	354	(246)	926
	Fringe Benefit Tax	10	-	42	-
13	Net Profit (11-12)	1,115	3,992	4,796	7,564
14	Paid up Equity Share Capital (Face value of Rs.10 per share)	2,850	2,850	2,850	2,850
15	Reserves excluding revaluation reserve			55,704	52,370
16	Basic and diluted earnings per share before exceptional items (Rs.)	5.48	3.61	18.40	14.34
17	Basic and diluted earnings per share including exceptional items (Rs.)	3.91	14.01	16.83	26.54
18	Aggregate of non-promoter shareholding				
	a. Number of shares	81,877,924	77,752,618	81,877,924	77,752,618
	b. Percentage of shareholding	28.73	27.28	28.73	27.28

B. SEGMENT INFORMATION:**Business Segments:**

(Rs. In Millions)

Particulars	For the quarter ended 31 March, 2006 (unaudited)				For the quarter ended 31 March, 2005 (unaudited)			
	Wholesale Voice	Enterprise & Carrier Data	Others	Total	Wholesale Voice	Enterprise & Carrier Data	Others	Total
Revenues	5,409	3,108	1,078	9,595	4,863	3,076	847	8,786
Segment Result	1,738	2,437	220	4,395	995	2,536	(9)	3,522
Unallocated expenses (net)				(2,419)				(1,920)
Profit before tax and exceptional items				1,976				1,602
Exceptional items				(676)				3,636
Profit before tax				1,300				5,238
Income tax				(185)				(1,246)
Profit after tax				1,115				3,992

(Rs. in millions)

Particulars	For the year ended 31 March, 2006 (audited)				For the year ended 31 March, 2005 (audited)			
	Wholesale Voice	Enterprise & Carrier Data	Others	Total	Wholesale Voice	Enterprise & Carrier Data	Others	Total
Revenues	21,626	12,617	3,567	37,810	18,765	11,170	3,095	33,030
Segment Results	4,600	10,259	861	15,720	3,096	8,739	639	12,474
Unallocated expenses (net)				(8,177)				(6,148)
Profit before tax and exceptional items				7,543				6,326
Exceptional items				(676)				4,214
Profit before tax				6,867				10,540
Income tax				(2,071)				(2,976)
Profit after tax				4,796				7,564

Notes:

In fiscal 2006, as a result of changes in the form and content of segment information provided to and used by the management to allocate resources and assess performance, and change in the organizational structure, the Company has reviewed and revised its reportable segments. The reportable segments in fiscal 2006 are Wholesale Voice, Enterprise & Carrier Data and Others. The composition of the reportable segments is as follows:

Wholesale Voice: includes International and National Voice services.

Enterprise & Carrier Data: includes corporate data transmission services like IPLC, Frame Relay, ILL and NPLC.

Others: includes Internet, GPSS, Telex, Telegraph, TV up-linking, Transponder lease and other services.

- (i) Revenues and expenses, which are directly identifiable to segments, are attributed to the relevant segment. Expenses on rent of satellite channels and landlines, and royalty and licence fee are allocated on the basis of usage. Segment result is segment revenues less segment expenses. Certain costs, including depreciation which are not allocable to segments have been classified as "unallocable expense".
- (ii) Telecommunication services are provided utilizing the Company's assets which do not generally make a distinction between the types of services. As a result, fixed assets are used interchangeably between segments. In the absence of a meaningful basis to allocate assets and liabilities between segments, no allocation has been made.
- (iii) Figures for the previous period have been regrouped where necessary.

**C. CONSOLIDATED FINANCIAL RESULTS FOR THE
YEAR ENDED MARCH 31, 2006**

(Rs. in millions)

	Particulars	For the year ended March 31, 2006	For the year ended March 31, 2005
		(audited)	(audited)
1	Net Sales/ Income from operations	45,624	33,083
2	Other Income	1,806	1,051
3	Interest on Income Tax Refunds	564	-
4	Total Income	47,994	34,134
5	Total Expenditure	39,395	25,743
	a. Network Costs	25,807	20,083
	b. Operating and Other Expenses	9,792	4,060
	c. Salaries and Related Costs	3,796	1,600
6	Interest Expense	398	12
7	Depreciation	4,856	2,531
8	Prior Period Adjustments	(109)	-
9	Profit before tax and exceptional items (1+2+3)-(5+6+7+8)	3,454	5,848
10	Exceptional Items:		
	a. Profit from sale of long term investment (net of licence fee)	-	4,687
	b. Provision for recoverable pension obligation	(64)	(473)
	c. Assets written off	(612)	-
11	Profit Before Tax (9+10)	2,778	10,062
12	Provision for Taxation	2,080	2,976
	Current Tax	2,283	2,050
	Deferred Tax	(246)	926
	Fringe Benefit Tax	43	-
13	Net Profit (11-12)	698	7,086
14	Paid up Equity Share Capital (Face value of Rs.10 per share)	2,850	2,850
15	Basic and diluted earning per share excluding exceptional items (Rs.)	4.02	12.66
16	Basic and diluted earning per share including exceptional items (Rs.)	2.45	24.86

Notes:

1. The consolidated financial results have been prepared in accordance with generally accepted accounting principles and comply with the Accounting Standard – 21 on Consolidated Financial Statements and Accounting Standard – 27 on Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
2. The consolidated financial results include the operations of:
 - a. VSNL Singapore Pte Limited in which are incorporated the operations of the Tyco Global Network (with effect from July 01, 2005) and Teleglobe International Holding Limited (with effect from February 14, 2006)
 - b. VSNL Broadband Limited [formerly Tata Power Broadband Limited] (with effect from November 01, 2005)

3. Figures for the previous period are not comparable due to the acquisitions made during the year.

Notes:

1. The above results were taken on record by the Board of Directors of the Company at their meeting held on June 26, 2006.
2. The Board has recommended a dividend of Rs. 4.5 per share (45%) on the issued and paid up equity share capital.
3. The financial results for the year ended March 31, 2006 has been audited by the statutory auditors of the Company.
4. On February 13, 2006, the Company has completed the acquisition of Teleglobe International Holding Ltd. through its wholly owned subsidiary VSNL Singapore Pte Limited.
5. On March 1, 2006, the Company purchased the Internet business and assets of Seven Star Dot Com Pvt Ltd under a slump sale agreement, for a purchase consideration of Rs. 179 million.
6. On May 8, 2006, the Company signed a Share Purchase Agreement (SPA) to acquire Direct Internet Limited (DIL) and its wholly-owned subsidiary, Primus Telecommunications India Limited (PTIL) for a total purchase consideration of Rs. 942 million. The acquisition was completed on June 23, 2006.
7. During the quarter a sum of Rs. 612 million has been charged to profit and loss account towards write down of certain network assets.
8. Figures for the previous period have been regrouped where necessary.
9. Investor Complaint status:

Outstanding as on January 1, 2006	Total received during the quarter ended March 31, 2006	Total resolved during the quarter ended March 31, 2006	Outstanding as on March 31, 2006
Nil	4	4	Nil

For Videsh Sanchar Nigam Limited

N. SRINATH
EXECUTIVE DIRECTOR

Place : Mumbai
Date : June 26, 2006