

LETTER OF OFFER

This Document is important and requires your immediate attention

This Letter of Offer is being sent to you as a holder of Equity Shares or American Depositary Shares ("ADSs") of Videsh Sanchar Nigam Limited. If you require any clarifications about the action to be taken, you may consult your stock broker or investment consultant or the Manager to the Offer/ Registrar to the Offer. In case you have sold your Equity Shares or ADSs, please hand over this Letter of Offer and the accompanying Form of Acceptance to the purchaser of the Equity Shares or ADSs or the member of the stock exchange through whom the sale was effected.

CASH OFFER

by

Panatone Finvest Limited

(Registered Office: Bombay House, 24 Homi Mody Street, Mumbai 400 001, India. Tel. : +91 22 204 9131, Fax : +91 22 204 8187)
and Persons Acting in Concert:

Tata Sons Limited

Regd. Office : Bombay House,
24 Homi Mody Street, Mumbai 400 001, India
Tel. : +91 22 204 9131, Fax : +91 22 204 8187

The Tata Power Company Limited

Regd. Office : Bombay House,
24 Homi Mody Street, Mumbai 400 001, India
Tel. : +91 22 204 9131, Fax: +91 22 204 5359

The Tata Iron and Steel Company Limited

Regd. Office : Bombay House,
24 Homi Mody Street, Mumbai 400 001, India
Tel. : +91 22 204 9131, Fax : +91 22 204 9522

Tata Industries Limited

Regd. Office : Bombay House,
24 Homi Mody Street, Mumbai 400 001, India
Tel. : +91 22 204 9131, Fax : +91 22 204 7996

for the purchase of up to 57,000,000 Equity Shares (including Equity Shares underlying the ADSs)
representing up to 20% of the paid-up and voting equity share capital of

Videsh Sanchar Nigam Limited

Registered Office : Videsh Sanchar Bhavan, Mahatma Gandhi Road, Mumbai 400 001, India. Tel. : 262 4020, Fax : 262 4027
at Rs.202 (US\$4.15) per Equity Share

THE OFFER EXPIRES AT 5:00 P.M., INDIAN STANDARD TIME, AND 6:30 A.M., NEW YORK CITY TIME, ON THURSDAY, MAY 9, 2002.

The Offer is being made by Panatone in compliance with the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto (the "Regulations"). For purposes of the Offer, Tata Sons Limited, The Tata Power Company Limited, The Tata Iron and Steel Company Limited and Tata Industries Limited are Persons Acting in Concert with Panatone. The Offer is not subject to any minimum level of acceptance.

The Offer is subject to the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, as applicable, for acquiring and transferring the Equity Shares tendered in this Offer by Non-Resident Indians, Foreign Institutional Investors, Overseas Corporate Bodies (please refer to definitions on pages 3 and 4) and non-Indian shareholders. There are no other statutory approvals required to acquire Equity Shares that are tendered pursuant to this Offer. In case of any additional approvals being required or non-receipt of the said approvals within time, the Securities and Exchange Board of India has the power to grant an extension of time to Panatone for payment of consideration to shareholders subject to Panatone agreeing to pay interest as directed by SEBI.

Holders of Equity Shares who have accepted the Offer by tendering the requisite documents in terms of the Public Announcement/Letter of Offer cannot withdraw the same. Holders of ADSs will have the right to withdraw their acceptance of the Offer.

This is a part of a disinvestment of Public Sector Undertaking by the Government of India. As such, there cannot be a competitive offer by any person to the Offer made by the Strategic Partner as per Regulation 25(2A) of the Regulations. Panatone is permitted to revise the Offer Price upward any time up to seven working days prior to the date of the closure of the Offer (i.e. April 29, 2002). In the event of such revision, an announcement to this effect will be made in the newspapers as specified in Paragraph 1.1 of this Letter of Offer and that price would be payable by Panatone for all the Equity Shares tendered at any time during the Offer.

A copy of the Public Announcement/Letter of Offer (including Form of Acceptance) is also available on the web-site of the Securities Exchange Board of India (www.sebi.gov.in).

MANAGER TO THE OFFER



JM Morgan Stanley Private Ltd.

141, Maker Chambers III
Nariman Point, Mumbai 400 021, India
Phone : +91 22 230 3030
Fax : +91 22 202 8224
Email : sridhar.nishtala@morganstanley.com
Contact Person : Sridhar Nishtala

REGISTRAR TO THE OFFER



Tata Share Registry Ltd.

Army and Navy Building
148, Mahatma Gandhi Road, Mumbai 400 001, India
Phone : +91 22 287 3831 Ext. (238,239,240)
Fax : +91 22 284 4160
Email : csg-unit@tatashare.com
Contact Person : Ms. S.R.Billimoria/ Investor Interface Cell

The schedule of the activities is as per the following table:

Public Announcement Date	Tuesday, February 12, 2002
Specified Date	Friday, February 22, 2002
Date by which the Letter of Offer will be dispatched to the shareholders	Thursday, March 28, 2002
Offer Opening Date	Monday, April 10, 2002
Last date for revising the offer price/ number of shares	Monday, April 29, 2002
Last Date for Competitive bid	Not Applicable
Offer Closing Date	Thursday, May 9, 2002
Date by which the acceptance/ rejection would be intimated and the corresponding payment for the acquired shares and/ or the share certificate for the rejected shares will be dispatched/ credited	Saturday, June 8, 2002

THIS LETTER OF OFFER AND THE ACCOMPANYING FORM OF ACCEPTANCE CONTAIN IMPORTANT INFORMATION, BOTH OF WHICH YOU SHOULD CAREFULLY READ IN THEIR ENTIRETY BEFORE MAKING A DECISION WITH RESPECT TO THE OFFER.

PLEASE REFER TO AN IMPORTANT DISCLOSURE IN PARAGRAPH 7 OF THIS LETTER OF OFFER REGARDING SPINOFF OF LAND.

Indian Law Advisor to the Offer



**Amarchand & Mangaldas &
Suresh A. Shroff & Co.**
Advocates & Solicitors
Presidential Towers, 3, L. S. Centre
Pamposh Enclave
New Delhi 110 048

US Law Advisor to the Offer

DAVIS POLK & WARDWELL

AMERICAN LAWYERS
THE HONG KONG CLUB BUILDING
3A CHATER ROAD
HONG KONG

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SUMMARY TERM SHEET

This summary term sheet highlights selected information from this Letter of Offer and may not contain all the information that is important to you. To better understand our Offer to you and for a complete description of the legal terms of the Offer, you should read this entire Letter of Offer and the accompanying Form of Acceptance. Questions or requests for assistance may be directed to the Registrar to the Offer or the Manager to the Offer at their addresses and telephone numbers on the front cover of this Letter of Offer and not to Panatone or the Persons Acting in Concert. Capitalized terms used in this Summary, where not otherwise defined herein, are defined in other parts of this Letter of Offer, including the "Definitions" section.

● **The Acquirer**

Panatone is making the Offer. For purposes of the Offer, Panatone's shareholders — Tata Sons, Tata Power, Tata Steel and Tata Industries — are persons acting in concert with Panatone. All these companies are members of the Tata Group, an Indian conglomerate controlled by Tata Sons. The Tata Group operates in a variety of industries and has significant telecommunications operations in India. See Paragraph 3.

● **Offer Details**

The Offer is being made to purchase up to 57,000,000 Equity Shares, including Equity Shares underlying the ADSs, representing 20% of the paid-up and voting equity share capital of VSNL. See Paragraph 1.

● **For Participation by ADS holders**

ADS holders will be able to participate in the Offer either by tendering their ADSs through the ADS Tender Agent or tendering the underlying Equity Shares through the Registrar to the Offer. For details regarding participation by ADS holders, see Paragraph 10.

● **Offer price and Form of Payment**

The Offer is being made at a price of Rs. 202 (US\$4.15) per Equity Share in cash. See Paragraph 1.

● **Background of the Offer**

Panatone acquired 71,250,000 Equity Shares representing 25% of the paid-up and voting equity share capital of VSNL from the Government of India on February 13, 2002 and is required by the Regulations to make a cash tender offer to other shareholders for up to an additional 20% of the paid-up and voting equity share capital of VSNL. See Paragraph 1.

● **Financial resources for payment**

There is no financing condition to the Offer. Up to Rs. 5,250 million (US\$108 million) of the consideration payable by Panatone in connection with the Offer will be financed by the issuance by Panatone of zero-coupon subordinated debentures. The debentures will be secured by the Equity Shares acquired from the Government of India and Equity Shares to be acquired in the Offer, guarantees by Tata Sons and Tata Power and mortgages on certain real property to be acquired by Panatone. The balance of the consideration

payable will be financed by proceeds of additional equity investments in, and short-term unsecured inter-company loans made to, Panatone by Tata Sons and Tata Power. The consideration will be paid solely in cash and all of the funding which will be needed will be arranged as indicated above. Deutsche Bank AG, Mumbai, having their office at DB House, Hazarimal Somani Marg, Fort, Mumbai 400 001, have certified vide their letter dated March 18, 2002 that Panatone, Tata Sons and Tata Power have adequate financial resources for payment of consideration to the shareholders of VSNL whose Equity Shares are acquired pursuant to this Offer. See Paragraph 8.

● **Period of the Offer**

You will have until Thursday, May 9, 2002, to tender your Equity Shares (including Equity Shares underlying the ADSs). See Paragraph 9.

● **Condition of the Offer**

There is no significant condition of the Offer. However, acceptance of the Equity Shares (including Equity Shares underlying the ADSs) tendered by Non-Resident Indians and Overseas Corporate Bodies is subject to the approval of the Reserve Bank of India. See Paragraph 9.

● **Procedure for tendering Equity Shares or ADSs**

The procedures for Equity Share holders and ADS holders differ. Please refer to the procedure outlined in Paragraph 10 for details.

● **Payment for tendered Equity Shares**

Subject to the terms and conditions of the Offer, Panatone will pay for validly tendered Equity Shares promptly after the later of the Offer Closing Date and the receipt of the approval of the Reserve Bank of India. Panatone will pay for your validly tendered Equity Shares by sending the crossed account payee cheques/demand drafts (through registered post in case of consideration amount exceeding Rs. 1,500 (US\$31) (Under Certificate of Posting otherwise)) to you and will pay for your validly tendered ADSs by electronic funds transfer through the Custodian to the account of ADS Tender Agent, who will act as your agent for the purpose of receiving payments from Panatone and transmitting such payments to you. See Paragraphs 9 and 10.

● **Recommendation of the Board of Directors of VSNL**

The Board of Directors of VSNL currently consists of five members, of which three were appointed by Panatone. The Board of Directors of VSNL have decided to remain neutral and make no recommendation in respect of the Offer. Such decision was made in the absence of the directors appointed by Panatone, each of whom did not vote because they are deemed interested directors.

● **Market value of Equity Shares or ADSs as of a recent date**

The principal trading markets for the Equity Shares are the Stock Exchange, Mumbai, and the National Stock Exchange of India. In the United States, ADSs are traded on the New York Stock Exchange under the symbol "VSL". On March 26, 2002, the closing prices of the Equity Shares on the Stock Exchange, Mumbai, and the National Stock Exchange of India were Rs.182.25 and Rs.182.60, respectively, and the closing price of the ADSs on the New York Stock Exchange was US\$7.35. See Paragraph 6.

You are urged to obtain a current market quotation for the Equity Shares and ADSs.

In case of queries regarding the Offer, you can call the Registrar to the Offer, Tata Share Registry Limited or the Manager to the Offer, JM Morgan Stanley, at the contact numbers mentioned on the cover of the Letter of Offer.

DEFINITIONS

ADRs	American Depositary Receipts evidencing ADSs
ADSs	American Depositary Shares of VSNL, each American Depositary Share represents two Equity Shares
ADS Depository	The Bank of New York, as the depository for ADSs under the Deposit Agreement
ADS Tender Agent	The Bank of New York
Citibank	Citibank N.A., with offices at Citibank Centre, Plot C-61, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051
Custodian	ICICI Limited, as the Custodian under the Deposit Agreement
Deposit Agreement	Deposit Agreement dated as of August 7, 2000, as amended by Amendment No. 1 to the Deposit Agreement dated as of September 11, 2000, by and among VSNL, the ADS Depository, as depository, and the holders from time to time of ADRs thereunder
Deutsche Bank	Deutsche Bank AG, Mumbai, with offices at DB House, Hazarimal Somani Marg, Fort, Mumbai 400 001
Equity Share	Fully paid-up Equity Share, par value Rs. 10 per share, of VSNL
Eligible Persons	All holders of Equity Shares and ADSs, registered or unregistered, other than Panatone, the Persons Acting in Concert, the Government of India and employees of VSNL holding Equity Shares under lock-in, who hold Equity Shares or ADSs at any time prior to the closure of the Offer
Foreign Institutional Investor	Non-Indian institutional investors that are registered by SEBI to conduct investment activities in India as "foreign institutional investors" pursuant to Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 issued by SEBI
Form of Acceptance	Form of Acceptance-cum-Acknowledgement and Transfer Deed (for tendering of Equity Shares) and ADS Letter of Transmittal (for tendering of ADSs)

Government of India	The Government of India
Indian GAAP	Collectively, the requirements of the Indian Companies Act, as applicable to financial statements and accounting principles generally accepted in India
Manager/ Manager to the Offer	JM Morgan Stanley Private Ltd.
Non-Resident Indian	An individual of Indian nationality or origin who is a resident of a country other than India, as defined more fully in Indian Foreign Exchange Management (Deposit) Regulations, 2000 issued by the Reserve Bank of India
Overseas Corporate Body	A class of corporations and similar entities that are organized under jurisdictions outside of India, as defined more fully in Indian Foreign Exchange Management (Deposit) Regulations, 2000 issued by the Reserve Bank of India
Offer	Cash offer being made by Panatone to the Eligible Persons to acquire up to 57,000,000 Equity Shares (including Equity Shares underlying the ADSs)
Offer Price	Rs. 202 (US\$4.15) per Equity Share
Panatone	Panatone Finvest Limited
PBDIT	Profit before Depreciation, Interest and Taxes
Persons Acting in Concert	Tata Sons, Tata Power, Tata Steel and Tata Industries, which are deemed to be "persons acting in concert" for purposes of this Offer
Public Announcement	Announcement of the Offer made by Panatone on February 12, 2002
Reserve Bank of India	The Reserve Bank of India, India's central bank
Registrar/ Registrar to the Offer	Tata Share Registry Limited
SEBI	Securities and Exchange Board of India
SEC	Securities and Exchange Commission of the United States
Tata Industries	Tata Industries Limited
Tata Power	The Tata Power Company Limited
Tata Sons	Tata Sons Limited
Tata Steel	The Tata Iron and Steel Company Limited
The Regulations	SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and subsequent amendments thereto
US GAAP	Accounting principles generally accepted in the United States
VSNL/Target	Videsh Sanchar Nigam Limited

Key Dates regarding acquisition of Equity Shares from the Government of India by Panatone

Opening of Financial Bids	February 1, 2002
Signing of the Share Purchase Agreement	February 6, 2002
Signing of the Shareholders' Agreement	February 13, 2002

EXCHANGE RATES

All references herein to "\$" are to United States dollars and references to "Rs." are to Indian rupees, the legal currency of India. All translations from Indian rupees to United States dollars were made (unless otherwise indicated) on the basis of the noon buying rate in The City of New York for cable transfers in Indian rupees per US dollar as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on March 15, 2002 of Rs.48.73 = \$1.00. All amounts translated into United States dollars as described above are provided solely for the convenience of the reader, and no representation is made that the Indian rupees or United States dollar amounts referred to herein could have been or could be converted into United States dollars or Indian rupees, as the case may be, at any particular rate, at the above rates or at all.

Fluctuations in the exchange rate between the Indian rupee and the U.S. dollar will affect the U.S. dollar equivalent of the Indian rupee price of the Equity Shares traded in India and, as a result, should affect the price of the ADSs in the United States. Such fluctuations will also affect the U.S. dollar amounts received by ADS holders on conversion by the Custodian of the Offer Price paid in Indian rupees pursuant to the Offer. In this Letter of Offer, the Offer Price in Indian rupees has been translated at the Noon Buying Rate on March 15, 2002 into an amount in U.S. dollars. Such amount is provided solely for the convenience of the reader. Payment of the Equity Shares underlying the ADSs will be payable to the Custodian in Indian rupees and converted by the Custodian to U.S. dollars in accordance with the procedures for the conversion of foreign currency set forth in the Deposit Agreement. Accordingly the exact U.S. dollar payment for ADSs in accepted in the Offer will be based on the exchange rate on the date the Custodian converts the payment in Indian rupees into U.S. dollars. Such exchange rate could be higher, lower or equal to the Noon Buying Rate on March 15, 2002. ADS holders are urged to obtain a current market quotation for the U.S. dollar — Indian rupee exchange rate.

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate:

Year Ended March 31	Rs. Per US\$1.00 End of Period
2000	43.65
2001	46.66
2002 (through March 15)	48.73

DISCLAIMER CLAUSE

IT IS TO BE DISTINCTLY UNDERSTOOD THAT FILING OF THE DRAFT LETTER OF OFFER WITH SEBI SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED, VETTED OR APPROVED BY SEBI. THE DRAFT LETTER OF OFFER HAS BEEN SUBMITTED TO SEBI FOR A LIMITED PURPOSE OF OVERSEEING WHETHER THE DISCLOSURES CONTAINED THEREIN ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE REGULATIONS. THIS REQUIREMENT IS IN ORDER TO FACILITATE THE SHAREHOLDERS OF VSNL TO TAKE AN INFORMED DECISION WITH REGARD TO THE OFFER. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR FINANCIAL SOUNDNESS OF PANATONE, PERSONS ACTING IN CONCERT OR VSNL OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE LETTER OF OFFER. IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE PANATONE IS PRIMARILY RESPONSIBLE FOR THE CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THIS LETTER OF OFFER, THE MANAGER TO THE OFFER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT PANATONE DULY DISCHARGES ITS RESPONSIBILITY ADEQUATELY. IN THIS BEHALF, AND TOWARDS THIS PURPOSE, THE MANAGER TO THE OFFER HAS SUBMITTED A DUE DILIGENCE CERTIFICATE DATED FEBRUARY 26, 2002 TO SEBI IN ACCORDANCE WITH THE REGULATIONS. THE FILING OF THE LETTER OF OFFER DOES NOT, HOWEVER, ABSOLVE PANATONE FROM THE REQUIREMENT OF OBTAINING SUCH STATUTORY CLEARANCES AS MAY BE REQUIRED FOR THE PURPOSE OF THE OFFER.

This transaction has not been approved or disapproved by the SEC or any securities commission of any state of the United States or SEBI, or the securities regulatory authorities of any other jurisdiction, nor has the SEC or any state securities commission of the United States, SEBI, or the securities regulatory authorities of any other jurisdiction passed judgment upon the fairness or merits of this Offer nor upon the accuracy or adequacy of the information contained in this document. Any representation to the contrary is unlawful.

Panatone and the Manager to the Offer accept no responsibility for statements made otherwise than in this Letter of Offer or in the advertisement or any material issued by, or at the instance of Panatone and the Manager to the Offer, and anyone placing reliance on any other source of information would be doing so at his/her/their own risk.

THE OFFER AND THIS LETTER OF OFFER

The Offer is being made for securities of an Indian company and, while the Offer is subject to Indian and U.S. disclosure requirements, U.S. holders of ADSs and Equity Shares not represented by ADSs should be aware that this document has been prepared primarily in accordance with Indian format and style, which differs from customary U.S. format and style. The audited financial information for the years ended March 31, 1999, 2000 and 2001 and the unaudited financial information for the nine months ended December 31, 2001 of Panatone and the Persons Acting in Concert has been prepared in accordance with Indian GAAP.

The Offer and this Letter of Offer are subject to the requirements of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 and amendments thereto and the U.S. federal securities laws and are subject to the jurisdiction of the Securities and Exchange Board of India and the Securities and Exchange Commission of the United States.

FORWARD LOOKING STATEMENTS

Certain statements in this Letter of Offer are not historical and may constitute forward-looking statements reflecting financial performance. When used in this Letter of Offer, words such as "estimate", "intend", "expect", "anticipate" and similar expressions are intended to identify forward-looking statements – which are, by their very nature, not guarantees of future operational or financial performance and are subject to risks and uncertainties. Forward-looking statements are based on management's estimates, beliefs and opinions on the date the statements are made.

1. DETAILS OF THE OFFER

1.1 Background to the Offer

The Offer is being made pursuant to and in compliance with Regulation 10 and Regulation 12 of the Regulations for substantial acquisition of shares and voting rights pursuant to a change in control and management of VSNL. The Offer is open to all shareholders of VSNL and ADS holders, other than Panatone, the Persons Acting in Concert and the Government of India and certain employees holding Equity Shares as completely described in Paragraph 9 (b). For purposes of this Letter of Offer, a reference to shareholders of VSNL should be deemed to include ADS holders, unless the context indicated otherwise.

VSNL was incorporated as a limited liability company on March 19, 1986 and was, at that time, wholly owned by the Government of India. On April 1, 1986, VSNL assumed control and management of international telecommunication services from the Overseas Communication Service, a department of the Ministry of Communications of the Government of India. VSNL has since been the exclusive provider of public international telecommunication services in India, directly and indirectly linking the domestic telecommunications network to other countries.

On February 1, 2001, the Government of India announced its intention to disinvest 25% of the shareholding of VSNL held by it to a strategic partner with the intention to transfer management control to the strategic partner through the competitive bidding route. As per the announcement made on February 5, 2002 by the Government of India, Panatone was selected by the Government of India as the strategic partner for the sale of 71,250,000 fully paid-up Equity Shares representing 25% of the voting capital of VSNL (the "GOI Shares") at a price of Rs.202 (US\$4.15) per share. The aggregate purchase price was Rs.14,392.50 (US\$295 millions) million in cash.

A share purchase agreement (the "Share Purchase Agreement") giving effect to the above arrangement was entered into between the Government of India and Panatone on February 6, 2002. Panatone's shareholders, Tata Sons, Tata Power, Tata Steel and Tata Industries, are also signatories to the Share Purchase Agreement though they did not directly purchase any of the Government of India's shareholding in VSNL. VSNL is also a party to the Share Purchase Agreement. In connection with the purchase of the GOI Shares from the Government of India, Panatone is required by the Regulations to launch a tender offer to acquire an additional 20% of the Equity Shares from other shareholders of VSNL. See Paragraph 2. On February 12, 2002, Panatone made a public announcement disclosing the proposed purchase of the GOI Shares and the proposed tender offer. A shareholders' agreement (the "Shareholders' Agreement") was entered into between the Government of India and Panatone and its shareholders on February 13, 2002. Payment

of consideration for the GOI Shares and the transfer of such GOI Shares (the "Purchase") in favour of Panatone as well as the appointment of representatives of Panatone on the Board of Directors of VSNL, viz., Mr. R.N. Tata, Mr. S.K. Gupta and Mr. N. Srinath, occurred on the same date (i.e. February 13, 2002).

Pursuant to and subject to the terms of this Letter of Offer, Panatone is offering to purchase up to 57,000,000 fully paid up Equity Shares (including Equity Shares underlying the ADSs), representing up to 20% of the fully paid up voting equity share capital of VSNL, at a price of Rs.202 (Rs. two hundred and two only) (US\$4.15) per Equity Share, payable in cash. All Eligible Persons may participate in the Offer. For purposes of the Offer, Tata Sons, Tata Power, Tata Steel and Tata Industries are Persons Acting in Concert. Tata Power, Tata Steel and Tata Industries are companies promoted by Tata Sons.

Panatone presently holds 71,250,000 Equity Shares representing 25% of the paid up voting equity share capital of VSNL. As on the date of the Public Announcement, Tata Sons, Tata Power, Tata Steel and Tata Industries held 50%, 40%, 5% and 5%, respectively, of the issued share capital in Panatone. Since then, Panatone has been further capitalised by infusion of additional equity by Tata Sons and Tata Power. The current shareholding of Tata Sons and Tata Power in Panatone is 59.955% and 40%, respectively, with Tata Steel and Tata Industries holding the remainder equally. As per the information available with Panatone, other than the above mentioned shares and save as mentioned in Paragraph 5 below, Panatone and the Persons Acting in Concert hold no other Equity Shares of VSNL. Panatone does not have any subsidiaries.

The Equity Shares are listed on the Stock Exchange, Mumbai, the National Stock Exchange of India Ltd., the Calcutta Stock Exchange Association Limited, the Chennai Stock Exchange and the Delhi Stock Exchange Association Limited. The Equity Shares are frequently traded on the Stock Exchange, Mumbai and the National Stock Exchange of India Ltd. within the meaning of Regulation 20 of the Regulations. The Equity Shares are deemed to be infrequently traded in terms of Explanation (i) of Regulation 20(3) on the other exchanges. The ADSs are listed and traded on the New York Stock Exchange.

The Public Announcement, as per Regulation 15(1) of the Regulations, was made in the following newspapers on Tuesday, February 12, 2002:

<u>Newspaper</u>	<u>Language</u>	<u>Editions</u>
<i>Asian Age</i>	English	Mumbai, New Delhi, Kolkata, Ahmedabad and Bangalore
<i>Free Press Journal</i>	English	Mumbai
<i>Nav Bharat Times</i>	Hindi	Mumbai, New Delhi
<i>Navshakti</i>	Marathi	Mumbai

A copy of the Public Announcement is also available on SEBI website at www.sebi.gov.in. A Corrigendum Advertisement was made on March 22, 2002. A copy of the Corrigendum Advertisement is also available on SEBI website at www.sebi.gov.in.

If any upward revision is made in the Offer Price it will be announced in the above-mentioned newspapers and the same price would be payable by Panatone for all the Equity Shares tendered at any time during the Offer.

None of (i) Panatone, (ii) the Persons Acting in Concert and (iii) the directors of Panatone and the Persons Acting in Concert has acquired any Equity Shares from the date of the Public Announcement until the date of this Letter of Offer.

Panatone, the Persons Acting in Concert and VSNL, have not been prohibited by SEBI from dealing in securities, in terms of any directions issued under Section 11B of the Securities and Exchange Board of India Act, 1992 ("SEBI Act").

1.2 Key Terms of the Share Purchase Agreement and Shareholders' Agreement

- Under the terms of the Share Purchase Agreement, the Government of India has sold and Panatone has bought 71,250,000 fully paid up Equity Shares representing 25% of the voting capital of VSNL at a price of Rs. 202 (US\$4.15) per Equity Share. The consideration for purchase was paid in cash.
- The payment of consideration to the Government of India for transfer of the GOI Shares to Panatone and the appointment by Panatone of its representatives on the Board of Directors of VSNL was made on February 13, 2002. The Shareholders' Agreement was entered into among Panatone, the Persons Acting in Concert and the Government of India on the same date.
- The Government of India may transfer Equity Shares representing not more than 2% of the voting capital of VSNL to the employees of VSNL, and on February 22, 2002, approximately 1.85% of the voting capital of VSNL has been transferred to its employees.
- Under the terms of the Share Purchase Agreement and the Shareholders' Agreement, the Government of India has required measures to be undertaken to separate out surplus land at Pune, Kolkata, New Delhi and Chennai, as identified in a Schedule to the Share Purchase Agreement, (the "Surplus Land"), from VSNL and also to subject the use or sale of the Surplus Land to special conditions as stated in Paragraph 7 of this Letter of Offer. The description of the Surplus Land is indicated below:

Location	(Acres)
Dighi-Pune	524.00
Halishahar-Kolkata	35.19
Chattarpur-New Delhi	58.00
Greater Kailash-New Delhi	70.00
Padianallur-Chennai	85.94
Total	773.13

Panatone is required to facilitate the demerger of the Surplus Land by enabling the establishment of a realty undertaking in VSNL. Panatone, with the Government of India support, will cause the demerger of the realty undertaking so constituted and established in VSNL and inter alia comprising the Surplus Land, to a separate company ("the Resulting Company") with similar object and purpose in accordance with the provisions of the Share Purchase Agreement and the Shareholders' Agreement.

On the issue of new shares of the Resulting Company, Panatone shall transfer to the Government of India, without consideration, a minimum of 25% of the Resulting Company's issued shares (or such higher number of shares of the Resulting Company, which may be on account of any further sale of Equity Shares by the Government of India to Panatone prior to the demerger).

In the event of the demerger of the realty undertaking comprised of the Surplus Land to the Resulting Company not being approved or failing for any reason whatsoever, then, but only if VSNL sells or transfers the land or agrees to sell or transfer or otherwise develops the Surplus Land, Panatone shall pay to the Government of India, within seven days of the sale or transfer of whole or part of the Surplus Land, an amount equivalent to 25% of the benefit accruing to VSNL pursuant to such sale or transfer or otherwise development of the Surplus Land, after taking into account any impact of taxes under the Income Tax Act, 1961. Such amount shall be determined by the Appraiser as defined in the Shareholders' Agreement. The amount equal to 25% of the benefit as mentioned above shall stand augmented to an additional proportion if any additional shares are purchased by Panatone from the Government of India prior to the sale or transfer or otherwise development of the Surplus Land. These rights of the Government of India shall survive so long as the Government of India is a shareholder of VSNL.

- e) Pursuant to Article 7.7 of the Share Purchase Agreement and subject to certain conditions set forth therein, the Government of India and Panatone have agreed to vote at the general meeting of the shareholders of VSNL in favour of a resolution to amend the Articles of Association of VSNL, to change provisions regarding the Government of India's control over VSNL as a Government company and to notify the summarised provisions of the Shareholders' Agreement.
- f) Pursuant to Recital J of the Shareholders' Agreement, Panatone is required to refrain from using land, buildings and other fixed assets of VSNL otherwise than in accordance with the business purpose of VSNL and to refrain from disposing of land, buildings and other fixed assets of VSNL otherwise than in accordance with the provisions of the Shareholders' Agreement.
- g) Pursuant to Article 5.1 of the Shareholders' Agreement, the board of directors of VSNL shall consist of up to twelve directors. Four of the directors shall be non-retiring directors, of which the Government of India and Panatone are entitled to nominate two each. Four of the directors shall be retiring and independent directors, of which the Government of India and Panatone are entitled to nominate and recommend two persons each. Four of the directors shall be retiring and non-independent directors, of which the Government of India and Panatone are entitled to nominate two persons each, unless and until Panatone owns (i) more than 25% but less than 30% of the Equity Shares, in which case Panatone will be entitled to nominate three of the four retiring and the non-independent directors and the Government of India will be entitled to nominate one of such directors, or (ii) more than 30% of the Equity Shares, in which case Panatone will be entitled to nominate all four retiring and the non-independent directors. In addition, Panatone has the right to designate one of the directors nominated by it as the managing director of VSNL so long as it owns 25% of the Equity Shares.

After the consummation of the Purchase, one retiring and independent director and two retiring and non-independent directors appointed earlier by the Government of India continued to hold office and Panatone nominated one permanent and non-retiring director and two retiring and non-independent directors. Panatone designated the permanent and non-retiring director, Mr. S. K. Gupta as the Managing Director. Subsequently, one retiring and non-independent director appointed by Government of India resigned on March 6, 2002. The Board of Directors of VSNL currently has seven vacancies.

- h) Pursuant to Article 6.1 of the Shareholders' Agreement, Panatone shall not, subject to certain exceptions set forth therein, for a period of three years from the closing date set forth therein, directly or indirectly, sell, transfer, assign, pledge, charge, mortgage or in any other way dispose of or encumber any Equity Share acquired pursuant to the Share Purchase Agreement or any of its rights or obligations under the Shareholders' Agreement.

The Government of India granted its approval to Panatone to create a financial pledge over the GOI Shares on February 20, 2002 pursuant to Panatone's application, which was supported by a letter of undertaking from ILFS Trust Company Limited each dated February 14, 2002. Panatone also executed an irrevocable undertaking on February 19, 2002, *inter alia* confirming that the pledge of the GOI Shares is subject to the lock-in requirement of the Shareholders' Agreement, Share Purchase Agreement and the Non-Disposal Undertaking, each dated February 13, 2002. VSNL, pursuant to a decision taken by a circular resolution dated February 20, 2002, has instructed its registrar and transfer agent of the lock-in of Equity Shares acquired by Panatone from the Government of India. These instructions for lock-in shall not be reversed by the Board of Directors of VSNL without the affirmative vote of any one of the VSNL directors appointed by the Government of India. This undertaking given by Panatone automatically expires upon the termination of the Shareholders' Agreement or the expiry of the lock-in period on February 12, 2005 (i.e. 3 years commencing from February 13, 2002), whichever is earlier.

- i) Pursuant to Article 6.2 of the Shareholders' Agreement, subject to certain conditions set forth therein, if either the Government of India or Panatone desires to sell any Equity Shares, the party so desiring is required to first offer to sell those Equity Shares to the other party.
- j) Pursuant to Article 6.3 of the Shareholders' Agreement, for a period of three years after closing and subject to certain conditions set forth therein, the Government of India may, instead of exercising its rights to purchase Equity Shares offered pursuant to Article 6.2, send a "tag along" notice to Panatone requiring Panatone to ensure that any proposed third party purchaser of the Equity Shares purchases any additional Equity Shares offered by the Government of India at the same price and on the same terms as the Equity Shares purchased by any third party purchaser from Panatone.
- k) Pursuant to Article 6.6 of the Shareholders' Agreement, at any time during the fifth year after the Purchase, Panatone has an option to require the Government of India to sell to Panatone all but one Equity Share then held by the Government of India at the fair market value of the Equity Shares, which will be determined by an independent appraiser to be selected with the consent of both parties.

1.3 Recommendation of Board of Directors of VSNL

The board of directors of VSNL currently consists of five members, of which three were appointed by Panatone. The board of directors of VSNL has decided to remain neutral in respect of the Offer. Such decision was made in the absence of the members of the board appointed by Panatone, each of whom did not vote because they are deemed interested directors.

2. REASONS FOR THE OFFER AND FUTURE PLANS

As explained in Paragraph 1 above, the Offer is being made pursuant to Regulation 10 and Regulation 12 of the Regulations for substantial acquisition of shares and voting rights pursuant to a change in control and management of VSNL.

The acquisition of the GOI Shares by Panatone is pursuant to the disinvestment programme of the Government of India under which control of VSNL has passed to Panatone, as strategic partner of the Government of India, upon consummation of the Purchase. The integrated telecom strategy of the Tata Group envisages a key role for VSNL within its overall telecom plans. Panatone would seek to ensure utilisation of VSNL's existing network, infrastructure and inter-connect agreements to sustain a high percentage of the international long distance telephony market subsequent to termination of VSNL's monopoly after April 1, 2002. Panatone would encourage VSNL to enter new and value-added services in the voice (including the national long distance telephony market) and data segment and enter new businesses as and when the technological and regulatory framework evolves.

Provisions of the Shareholders' Agreement and the Share Purchase Agreement regarding the Surplus Land referred to in Paragraph 1.2(d) and Paragraph 7 of this Letter of Offer would be adhered to by Panatone. As for other assets, the same may be disposed of or otherwise encumbered during the next two years as may be decided by the board of directors of VSNL. Such decisions will be governed by the provisions of the Shareholders' Agreement and also the Regulations or any other applicable act or legislation at the relevant time.

Panatone currently has no plans or proposals, which relate to or would result in an extraordinary corporate transaction, such as a merger, reorganisation or liquidation, involving VSNL or any of its subsidiaries.

Panatone currently has no plans or proposals, which relate to or would result in any material change in the present capitalisation or dividend policy of VSNL.

Panatone currently has no plans or proposals, which relate to or would result in any other material change in VSNL's business or corporate structure.

Panatone currently has no plans or proposals which relate to or would result in causing a class of securities of VSNL to be delisted from the New York Stock Exchange or to cease to be authorised to be quoted in an inter-dealer quotation system of a U.S. registered national securities association.

Panatone currently has no plans or proposals, which relate to or would result in a class of equity securities of VSNL becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934.

Panatone currently has no plans or proposals, which relate to or would result in any action similar to any of those enumerated above.

Panatone intends to review from time to time VSNL's business affairs and financial position. Based on such evaluation and review, as well as general economic and industry conditions existing at the time, Panatone may consider from time to time various alternative courses of action. Such actions may include the acquisition of additional Equity Shares through open market purchases, privately negotiated transactions, tender offer, exchange offer or otherwise. Alternatively, such actions may involve the sale of all or a portion of the Equity Shares in the open market, in privately negotiated transactions, through a public offering or otherwise, subject to the provisions of the Shareholders' Agreement.

3. BACKGROUND OF PANATONE / PERSONS ACTING IN CONCERT

3.1 Panatone Finvest Limited

Panatone is a public limited company incorporated under the name Stormy Investments & Finance Private Limited on March 30, 1992 under the Companies Act, 1956, whose name was subsequently changed to Panatone Finvest Limited on July 24, 1998. The present registered office of Panatone is at Bombay House, 24 Homi Mody Street, Mumbai 400 001. Panatone is registered with the Reserve Bank of India under Section 451A of the Reserve Bank of India Act, 1934 vide Certificate of Registration No. 13.01289 dated August 13, 1999 to carry on the business of a Non-Banking Financial Company that will not invite or accept public deposits without the prior approval of Reserve Bank of India. The registration of Panatone is valid as on date. The equity shares of Panatone are not listed on any stock exchange.

As on the date of the Public Announcement, Tata Sons, Tata Power, Tata Steel and Tata Industries held 50%, 40%, 5% and 5% respectively of the issued share capital in Panatone. Since then, Panatone has been further capitalised by infusion of additional equity by Tata Sons and Tata Power. Panatone is a subsidiary of Tata Sons. Presently it has no subsidiaries. The current shareholding of Panatone is as follows:

Name	Shares held (of Rs. 10 each)	% voting rights
Tata Sons	119,910,000	59.9550%
Tata Power	80,000,000	40.0000%
Tata Steel	45,000	0.0225%
Tata Industries	45,000	0.0225%
Total	200,000,000	100.00%

The name, residential address, present occupation and five-year employment history of each director of Panatone are listed below. Where no date is shown, the individual has occupied the position indicated for the past five years. There are no executive officers of Panatone.

Name	Residential Address	Present Principal Occupation/ Past Five-Year Employment History
Mr. F. N. Subedar	Wadia Building, Ground Floor, Babulnath Road, Mumbai 400 007	Senior Vice President, Finance and Company Secretary, Tata Sons
Mr. P.D. Karkaria	43/B, Gool Mahal, 10, Naushir Bharucha Road, Mumbai 400 007	Vice President, Tata Financial Services, Tata Sons
Mr. R. R. Shastri	Flat No. A 61/62, Meherzin, 109A, Wodehouse Road, Colaba, Mumbai 400 005	Deputy Company Secretary, Tata Sons
Mr. Amulya Charan	IA Edena, First Floor, Maharshi Karve Road, Mumbai 400 020	Vice President, Tata Power (From Oct. 2001) Finance Director, Information Technology Park Ltd., (Oct. 2000 to Sep. 2001), Group Vice President, Tata Autocomp Systems Ltd. (June 1996 – Sep. 2000)
Mr. S. H. Rajadhyaksha	Hill View, 1 st Floor, Raghavji Road, Gowalia Tank, Mumbai 400 036	Senior Vice President (Finance) and Company Secretary, Tata Industries

**(i) The address of Information Technology Park Ltd. is Whitefield Road, Bangalore.*

(iii) The address of Tata Autocomp Systems Ltd. is Beck House, Damle Path, Off Law College Road, Pune.

Please note that any correspondence to the directors must be addressed to the office address of the directors at Bombay House, 24, Homi Mody Street, Mumbai 400 001. None of the above directors is on the Board of Directors of VSNL.

The persons listed above are all citizens of India. None of Panatone and the persons listed above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgement, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, U.S. federal or state securities laws or finding any violation with respect to such laws.

Panatone owns 71,250,000 Equity Shares as on date. To the best knowledge of Panatone after making reasonable inquiry, as of date none of (i) Panatone, (ii) the directors of Panatone and (iii) their associates beneficially owns any Equity Shares other than as disclosed in Paragraph 5. There have been no transactions in the last 60 days in Equity Shares by these persons. Panatone does not have any majority-owned subsidiaries.

The following is a summary of the audited financial information of Panatone for the last three years and unaudited financial information for the nine months ended December 31, 2001. The summary financial information for the years ended and as of March 31, 1999, 2000 and 2001 set forth below are derived from Panatone's audited financial statements, which are expected to be filed with the SEC on Schedule TO on March 28, 2002. The summary financial information is based on Panatone's Indian GAAP financial statements which have been audited as at and for the years ended March 31, 1999, 2000 and 2001 by Chaitanya C. Dalal & Co., Chartered Accountants, in accordance with Indian GAAP. For further information on the significant differences between Indian GAAP and US GAAP, please see paragraph 12.

Summary Income Statement Data :	For the Financial Year ended March 31,			Nine Months ended
	1999	2000	2001	December 31, 2001
	Rs.			
Revenues from operations	45,962	486,356	756,500	990,192
Other Revenues	-	-	-	-
Total Revenues	45,962	486,356	756,500	990,192
Total Expenditure	25,976	37,193	34,224	734,226
PBDIT	19,986	449,163	722,276	255,966
Depreciation	-	-	-	-
Interest	-	7,191	6,736	-
Profit Before Tax	19,986	441,972	715,540	255,966
Provision for Tax	-	41,100	64,500	26,000
Profit After Tax	19,986	400,872	651,040	229,966

Summary Balance Sheet Data

	As at March 31,		
	1999	2000	2001
	Rs.		
Shareholders' Equity and Loans			
Paid-up share capital	4,500,100	4,500,100	9,000,000
Reserves and Surplus (excluding revaluation reserves)	7,986	408,858	1,059,898
<i>Net Worth</i>	4,508,086	4,908,958	10,059,898
Secured Loans	-	-	-
Unsecured Loans	-	2,500,000	400,000
<i>Total Loans</i>	-	2,500,000	400,000
Total Shareholders' Equity and Loans	4,508,086	7,408,958	10,459,898
Net Assets			
Net Fixed Assets	-	-	7,972
Investments	4,371,364	6,900,177	10,274,025
Net Current Assets	52,584	434,323	113,498
Total miscellaneous expenditure not written off	84,138	74,458	64,403
Total Net Assets	4,508,086	7,408,958	10,459,898
	Financial Year		
	1999	2000	2001
Other Financial Data			
Face Value Rs. 10 per share			
Dividend Per Share (Rs.)	Nil	Nil	Nil
Earning Per Share (Rs.)	0.04	0.89	0.72
Ratio of Earnings to Fixed charges (%)	Not Relevant	Not Relevant	Not Relevant
Return on Net Worth (%)	0.45%	8.29%	8.69%
Book Value Per Share (Rs.)	5.00	5.45	11.17

With reference to VSNL, Panatone has complied with all applicable provisions of Chapter II of the Regulations which set forth the reporting and disclosures requirements for purchases of 5% or more of a company's shares. Panatone, its principal shareholder, Tata Sons, and its directors have not been prohibited by SEBI from dealing in securities in terms of directions issued under Section 11 B of the SEBI Act, 1992.

On February 21, 2002, Pantone refinanced all of the intercompany loans and a portion of the advances against equity from Tata Sons and Tata Power that it used to fund the February 13, 2002 acquisition of the GOI shares by issuing Rs. 8,000,000,000 (US\$165 million) principal amount of zero coupon non-convertible debentures to Deutsche Bank (the "Refinancing"). The debentures were issued at a price equal to 90.625% of their principal amount. The debentures will mature on February 21, 2003.

These debentures are of the same series, and have the same terms and conditions, as the zero-coupon non-convertible debentures that Panatone expects to issue to Deutsche Bank to finance up to Rs. 5,250,000,000 (US\$108 million) of the consideration payable to tendering shareholders in connection with the Offer.

The debentures, and the debentures to be issued in connection with the Offer, are secured by (i) a pledge of the GOI Shares as well as by a pledge of the Equity Shares to be acquired in the Offer; (ii) guarantees by Tata Sons and Tata Power, and (iii) mortgages on certain real property to be acquired by Panatone. Please see Paragraph 1.2 (h) for a summary description of the pledge of Equity Shares securing the debentures. Please see Paragraph 8 for a general discussion of the financing arrangements relating to the Offer.

These debentures have been rated P1+(so) by The Credit Rating Services of India Limited ("CRISIL"), the leading Indian debt rating agency, which indicates that, in CRISIL's view, the degree of safety regarding timely payment of financial obligations on the instrument is very strong.

3.2 Tata Sons Limited

Tata Sons is the principal investment holding company of the Tata Group, which traces its origin to a trading firm set up by the late Mr. Jamsetji Tata in 1868. It was incorporated as a company on November 8, 1917 under the Indian Companies Act, VII of 1913. During the last several decades, Tata Sons has promoted the major companies in the Tata Group in India. Over the years these companies have developed businesses in a wide spectrum of industries. The principal business of Tata Sons is investment holding and other businesses are consultancy services in finance, computer software, business operations and management, economic and market research and quality assurance. Tata Sons has equity investments in almost all the major companies promoted by it. Tata Sons is an unlisted company and its two major shareholders are public charitable trusts namely: the Sir Dorab Tata Trust and Sir Ratan Tata Trust.

Tata Sons has the following four operating divisions:

- **Tata Consultancy Services (TCS)** provides a wide range of information technology and management consultancy services. It offers system software, communications and networking, hardware sizing and capacity planning and software project management solutions. TCS is the largest IT organisation in India in terms of turnover and profits.
- **Tata Economic Consultancy Services** provides macro and micro economic studies in all sectors, market surveys, techno-economic feasibility studies, project planning and technology selection services and corporate planning and organisational development services.

- **Tata Financial Services** provides financial advisory services related to corporate finance and restructuring, capital markets, project finance and treasury and portfolio management of operating and investment companies.
- **Tata Quality Management Services** is involved in creating awareness and imparting training about the Tata Business Excellence Model (TBEM) amongst those Tata Group companies which desire to adopt and implement the same.

The shareholding pattern of Tata Sons as on date of this Letter of Offer is as follows:

Category	Shares held (of Rs. 1000 each)	% voting rights
Public Charitable Trusts	266,283	65.89
Corporate Bodies	126,236	31.24
Directors	3,447	0.85
Other Individuals	8,180	2.02
Total	404,146	100.00

The name, residential address, present occupation and five-year employment history of each director and executive officer of Tata Sons are listed below. Where no date is shown, the individual has occupied the position indicated for the past five years.

Name	Residential Address	Present Principal Occupation / Past Five-Year Employment History
Mr. R. N. Tata (Chairman)	Flat No. 202-A, Bakhtavar Building, Lower Colaba Road, Mumbai 400 005	Executive Chairman, Tata Sons Executive Chairman, Tata Engineering
Mr. N.A. Soonawala... .. (Vice-Chairman)	29 Hampton Court, 7th Floor, Opp. Colaba Post Office, Mumbai 400 005	Non-Executive Company Director Finance Director, Tata Sons
Dr. F. A. Mehta	8. Somerset House, Opp. Colaba Post Office, Mumbai 400 005	Non-Executive Company Director,
Mr. P.S. Mistry	Sterling Bay, 103 Walkeshwar Road, Mumbai 400 006	Non-Executive Company Director, Chairman, Shapoorji Pallonji & Co. Ltd.*
Mr. F.K. Kavarana	CCI Chambers, 5th Floor, FI No. 9, Dinshaw Vachha Road, Mumbai 400 020	Executive Chairman, Tata Infotech Ltd.* Executive Director, Tata Engineering & Locomotive Co. Ltd.*
Mr. J.E. Talaulicar	Silver Arch, L Jagmohandos Marg, Mumbai 400 006	Non-Executive Company Director,
Mr. B. G. Deshmukh	41, Buena Vista, Gen. Bhonsle Marg, Mumbai 400 021	Non-Executive Company Director,
Mr. J.K. Setna	5B. Saker Apartments, Ponchkhawala Road, Worli, Mumbai 400 025	Non-Executive Company Director,
Mr. Syamal Gupta	Quest End, 5th Floor, 47, Cuffe Parade, Colaba, Mumbai 400 005	Non-Executive Company Director, Managing Director, Tata International Ltd.*
Dr. J.J. Irani	Flat No. 221, A Wing, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Non-Executive Company Director, Managing Director, Tata Steel
Mr. R. Gopalakrishnan	Flat 101, Baug-e-Abbas, 21-A Cuffe Parade, Colaba, Mumbai 400 021	Executive Director, Tata Sons; Vice Chairman, Hindustan Lever Ltd.*
Mr. I. Hussain	Flat No. 222, B Wing, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Finance Director, Tata Sons Executive Director (Finance), Tata Steel
Mr. R.K. Krishna Kumar	Flat No. 213, B Block, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Non-Executive Company Director, Managing Director, The Indian Hotels Co. Ltd.*

**(i) The address of Shapoorji Pallonji & Co. Ltd. is SP Centre, 41/44, Minoos Desai Marg, Colaba, Mumbai 400 005*

(ii) The address of Tata Infotech Ltd. is Manish Commercial Centre, Worli, Mumbai 400 025

(iii) The address of Tata Engineering & Locomotive Co. is Bombay House, 24, Homi Mody Street, Fort, Mumbai 400 001.

(iv) The address of Tata International Ltd. is Block A, Shivsagar Estates, Dr. A.B. Road, Worli, Mumbai 400 018.

(v) The address of Hindustan Lever Ltd. is Backbay Reclamation, Mumbai 400 020.

(vi) The address of the Indian Hotels Co. Ltd. is Apollo Bunder, Mumbai 400 005.

Please note that any correspondence to the directors and executive officers must be addressed to the official address of the directors and executive officers which is Bombay House, 24, Homi Mody Street, Mumbai 400 001. None of the above directors is on the board of directors of VSNL except Mr. R. N. Tata who has been appointed as the Non-Executive Chairman of VSNL on February 13, 2002.

The persons listed above are all citizens of India. None of Tata Sons and the persons listed above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, U.S. federal or state securities laws or finding any violation with respect to such laws.

To the best knowledge of Tata Sons after making reasonable inquiry, as of date, none of (i) Tata Sons (ii) the directors or executive officers of Tata Sons and (iii) their associates and majority-owned subsidiaries hold any Equity Shares except as disclosed in paragraph 5. There have been no transactions in the last 60 days in Equity Shares by these persons.

The following is a summary of the audited financial information of Tata Sons for the last three years and unaudited financial information for the nine months ended December 31, 2001. The summary financial information for the years ended and as of March 31, 1999, 2000 and 2001 set forth below are derived from Tata Sons' audited financial statements which are expected to be filed with the SEC on Schedule TO on March 28, 2002. The summary financial information is based on Tata Sons' Indian GAAP financial statements which have been audited as at and for the years ended March 31, 1999, 2000 and 2001 by A. F. Ferguson & Co., Chartered Accountants, in accordance with Indian GAAP. For further information on the significant differences between Indian GAAP and US GAAP, please see Paragraph 12.

Summary Income Statement Data	For the Financial Year ended March 31,			Nine Months ended December 31, 2001
	1999	2000	2001	
	Rs. in millions			
Revenues from operations	18,043.9	22,156.7	31,915.7	31,460
Other Revenues	1,174.0	1,976.8	1,301.0	340
Total Revenues	19,217.9	24,133.5	33,216.7	31,800
Total Expenditure	11,663.8	15,302.7	23,195.3	21,040
PBDIT	7,554.1	8,830.8	10,021.4	10,760
Depreciation	906.8	656.8	703.9	500
Interest (net)	795.2	1,178.6	1,810.9	1,560
Profit Before Tax	5,852.1	6,995.4	7,506.6	8,700
Provision for Tax	320	370	370	400
Profit After Tax	5,532.1	6,625.4	7,136.6	8,300

Summary Balance Sheet Data	As at March 31,		
	1999	2000	2001
	Rs. in millions		
Shareholders' Equity and Loans			
Paid-up share capital	269.4	404.1*	404.1
Reserves and Surplus (excluding revaluation reserves)	14,167.9	19,840.4	26,026.3
<i>Net Worth</i>	<i>14,437.3</i>	<i>20,244.5</i>	<i>26,430.4</i>
Preference Capital	728.6	544.4	544.4
Secured Loans	6,220.1	10,439.0	12,020.5
Unsecured Loans	2,271.7	2,353.8	5,436.4
<i>Total Loans</i>	<i>8,491.8</i>	<i>12,792.8</i>	<i>17,456.9</i>
Total Shareholders' Equity and Loans	23,657.7	33,581.7	44,431.7
Net Assets			
Net Fixed Assets	2,534.5	2,999.8	3,288.1
Investments	16,890.8	23,031.2	31,319.6
Net Current Assets	4,166.2	7,550.7	9,824.0
Total miscellaneous expenditure not written off	66.2	-	-
Total Net Assets	23,657.7	33,581.7	44,431.7

* Increase in Share Capital on account of issue of bonus shares to the ordinary shareholders in the ratio of one share for every two shares held.

Other Financial Data	Financial Year		
	1999	2000	2001
<i>Face value Rs. 1000/- per share</i>			
Dividend Per Share (Rs.)	2,000	1,650	2,000
Earning Per Share (Rs.)	20,116	19,441	17,510
Return on Net Worth (%)	44.81%	37.61%	30.32%
Ratio of earnings to fixed charges (%)	7.14	6.20	5.21
Book Value Per Share (Rs.)	53,584	50,092	65,398

Tata Sons has issued a corporate guarantee on February 21, 2002 as security for debentures issued by Panatone as referred in Paragraph 3.1.

With reference to VSNL, Tata Sons was not required to comply with the provisions of Chapter II of the Regulations. Panatone has disclosed its acquisition of more than 5% Equity Shares in VSNL pursuant to the Government of India disinvestment under Regulation 7 of the Regulations and has disclosed Tata Sons as a Person Acting in Concert. Tata Sons holds no Equity Shares. Tata Sons and its directors have not been prohibited by SEBI from dealing in securities in terms of directions issued under Section 11 B of the SEBI Act, 1992.

The information on the five largest companies (by market capitalization) promoted by Tata Sons is as follows:

Name of the Company	Date of Incorporation	Nature of Business
Tata Steel	August 26, 1907	Steel
Tata Power	September 18, 1919	Generation, transmission and distribution of electrical energy
Tata Engineering and Locomotive Company Limited	September 1, 1945	Automobiles
Indian Hotels Company Limited	April 1, 1902	Hotels
Tata Tea Limited	October 18, 1962	Tea

None of the above five companies is a sick industrial company within the meaning of Section 3(1)(o) of the Indian Sick Industrial Companies (Special Provisions) Act, 1985.

Brief Financial Information for the above companies (other than that for Tata Power and Tata Steel, which is included in paragraph 3.3 and 3.4, respectively) for the last three years based on their audited accounts and presented in accordance with Indian GAAP is as follows:

Tata Engineering and Locomotive Company Limited:

	Year ended March 31,		
	1999	2000	2001
(in Rs. millions except per share data)			
Sales and other Income	65,939.5	89,611.4	81,642.2
Profit after tax	974.6	712.0	(5,003.4)
Equity Capital	2,559.0	2,559.0	2,559.0
Reserves*	27,700.0	27,110.4	21,060.0
Earnings per share (of Rs. 10 each)	3.81	2.78	-
Book Value per share (of Rs. 10 each)	118.25	115.94	92.30

*Net of revaluation reserves and miscellaneous expenditure not written off.

Indian Hotels Company Limited

	Year ended March 31,		
	1999	2000	2001
	(in Rs. millions except per share data)		
Sales and other Income	6,233.4	6,184.2	7,163.4
Profit after tax	1,191.4	1,132.3	1,167.9
Equity Capital	451.2	451.2	451.2
Reserves*	8,443.5	9,124.8	9,161.4
Earnings per share (of Rs. 10 each)	26.41	25.10	25.88
Book Value per share (of Rs. 10 each)	212.26	212.28	213.05

*Net of revaluation reserves and miscellaneous expenditure not written off.

Tata Tea Limited

	Year ended March 31,		
	1999	2000	2001
	(in Rs. millions except per share data)		
Sales and other Income	9,011.9	9,744.9	8,911.6
Profit after tax	1,287.6	1,245.7	1,002.1
Equity Capital	486.2	562.2	562.2
Reserves*	3,997.9	7,740.2	8,189.0
Earnings per share (of Rs. 10 each)	26.48	25.38 [@]	17.82 [@]
Book Value per share (of Rs. 10 each)	92.23	147.68	155.66

[@] On average share capital for the year *Net of revaluation reserves and miscellaneous expenditure not written off.

3.3 The Tata Power Company Limited

Tata Power was incorporated on September 18, 1919 under the Indian Companies Act, VII of 1913. Its registered office is situated at Bombay House, 24 Homi Mody Street, Mumbai 400 001. Tata Sons is the promoter of Tata Power. Tata Power is engaged in generation, transmission and distribution of electrical energy in the licensed area in Mumbai as well as generating and providing electrical energy in the States of Jharkhand and Karnataka. It is also engaged in manufacture of sophisticated electronic equipment and in broadband business.

Tata Power's thermal power plants are located at Trombay in Maharashtra, Jojobera in Jharkhand and Wadi and Belgaum in Karnataka. The hydro-generation plants are located at Khopoli, Bhivpuri and Bhira, India. The pumped storage unit is also in Bhira, India. The total power generation capacity of Tata Power is 2,204.3 MW.

Tata Power along with the erstwhile The Tata Hydro-Electric Power Supply Company Limited ("Tata Hydro") and The Andhra Valley Power Supply Company Limited ("Andhra Valley") were jointly known as Tata Electric Companies. With effect from April 1, 2000, Tata Hydro and Andhra Valley were amalgamated with Tata Power.

Ordinary Shares of Tata Power are listed on five stock exchanges in India: The Stock Exchange, Mumbai; National Stock Exchange of India Limited, Mumbai; The Stock Exchange, Ahmedabad; The Delhi Stock Exchange Association Ltd., New Delhi; and Pune Stock Exchange Ltd, Pune. Global Depository Shares issued by Tata Power jointly with the erstwhile Tata Hydro and Andhra Valley in the international market have been listed on the Luxembourg Stock Exchange and have been accepted for clearance through Euroclear and Cedel. They have also been designated for trading in the PORTAL System of the National Association of Securities Dealers, Inc. As on March 26, 2002 the closing price of Ordinary Shares of Tata Power on the Stock Exchange, Mumbai, was Rs.112.65 (Source: Bloomberg)

The shareholding pattern of Tata Power as on January 31, 2001 is as below:

Category	Shares held	% voting rights
Indian Promoter (Tata Group)	64,407,842	32.55
Indian Institutional Shareholders	51,141,923	25.84
Banks	2,081,800	1.05
State Financial Corporation	590,788	0.30
Non-Indian Companies/Overseas Corporate Bodies	24,714	0.01
Mutual Funds	3,411,991	1.72
Foreign Institutional Investors	12,951,309	6.55
Others	63,287,497	31.98
Total	197,897,864	100.00

The name, residential address, present occupation and five-year employment history of each director and executive officer of Tata Power are listed below. Where no date is shown, the individual has occupied the position indicated for the past five years

Name	Residential Address	Present Principal Occupation / Past Five-Year Employment History
Mr. R. N. Tata (Chairman)	Flat No. 202-A, Bakhtavar Building, Lower Colaba Road, Mumbai 400 005	Executive Chairman, Tata Sons; Executive Chairman, Tata Engineering
Mr. A.J. Engineer	Mona Apartments, Flat No.3AB, 46F Bhulabhai Desai Road, Mumbai 400 026	Managing Director, Tata Power; (From Sep 2000) Whole-time Director, Tata Power (Sep 1999 to Aug 2000)
Mr. F.A. Vandrevala	Flat No. 71, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Deputy Managing Director, Tata Power; Deputy Managing Director, Tata Steel* (From May 2001 to Oct 2001); Executive Director, Tata Steel* (Aug 2000 to Apr 2001); Vice President (Marketing and Sales), Tata Steel* (Oct 1995 to July 2000)
Mr. A.M. Sahni	7-A, Kapur Mahal, Marine Drive, Mumbai 400 020	Executive Director, Tata Power; (From Nov 2000) Whole-time Director, The Tata Hydro-Electric Power Supply Co., Ltd.* (Feb 1993 to Nov 2000)
Mr. R. Gopalakrishnan	Flat 101, Baug-e-Abbas, 21-A Cuffe Parade, Colaba, Mumbai 400 021	Executive Director, Tata Sons; Vice Chairman, Hindustan Lever Ltd.*
Mr. Syamal Gupta	Quest End, 5th Floor, 47, Cuffe Parade, Colaba, Mumbai 400 005	Non Executive Company Director, Managing Director, Tata International Ltd.*
Mr. R. Thothadri	350, B.S.K. 1st Stage, 1 st Cross, 10th Main, Bangalore 560 050	Consultant, Indian Institute of Information Technology, Bangalore * Director (Hons.), Birla Institute of Management*; Sr. Corporate Advisor- Allstate International* (Nov 1997 to Dec 2000)
Mr. C.P. Mistry	Sterling Bay, 103 Walkeshwar Road, Mumbai 400 006	Managing Director, Shapoorji Pallonji & Co. Ltd.*, Director, Oman Shapoorji Construction Co. LLC *
Dr. H.S. Vachha	Flat No. 9, Naoroji House, Naigaum Cross Road, Dadar, Mumbai 400 014	Non-Executive Company Director, General Manager, ICICI Ltd.* (Dec 1971 to Feb 1997);
Mr. R.B. Budhiraja	5-S, Dilwara, Maharshi Karve Road, Mumbai 400 021	Non-Executive Company Director, Principal Secretary, Government of Maharashtra*

(i) The address of Tata Iron & Steel Co. Ltd is Jamshedpur 831 001

(ii) The address of Hindustan Lever Ltd is Backbay Reclamation, Mumbai 400 020

(iii) The address of The Tata Hydro-Electric Power Supply Co. Ltd. is Bombay House, 24 Homi Mody Street, Mumbai 400 001.

(iv) The address of Tata International Ltd is Block A, Shivsagar Estates, Dr. A.B. Road, Worli, Mumbai 400 018

(v) The address of the Indian Institute of Information Technology, Bangalore, is 'Discover', 3rd Floor, Unit 3, International Tech Park, Whitefield, Bangalore - 560 066

(vi) The address of Birla Institute of Management is 43, Race Course Road, Bangalore.

(vii) The address of Allstate International is 3100, Sandhers Road, STE.KSA, North Brook, IL - 60062

(viii) The address of Shapoorji Pallonji & Co. Ltd. is Shapoorji Pallonji Centre, 41/44, Minoo Desai, Marg, Colaba, Mumbai 400 005, India.

(ix) The address of Oman Shapoorji Construction Co. LLC is PO. Box 1347, Muscat, Sultanate of Oman.

(x) The address of ICICI Ltd. is ICICI Towers, Bandra-Kurla Complex, Mumbai 400 051.

(xi) The address of the Principal Secretary of the Government of Maharashtra is Industry, Energy & Labour Department, Government of Maharashtra, Mantralaya, Mumbai 400 032

Please note that any correspondence to the directors and executive officers must be addressed to the office address of the directors and executive officers which is Bombay House, 24, Homi Mody Street, Mumbai 400 001. None of the above directors is on the board of directors of VSNL except Mr. R. N. Tata who has been appointed as the Non-Executive Chairman of VSNL on February 13, 2002.

The persons listed above are all citizens of India except for Mr. C.P. Mistry, who is a citizen of Ireland. None of Tata Power and the persons listed above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, U.S. federal or state securities laws or finding any violation with respect to such laws.

To the best knowledge of Tata Power after making reasonable enquiry, as of date, none of (i) Tata Power (ii) the directors or executive officers of Tata Power and (iii) their associates and majority-owned subsidiaries hold any Equity Shares except as disclosed in Paragraph 5. There have been no transactions in the last 60 days in Equity Shares by these persons.

The following is a summary of the audited financial information of Tata Power for the last three years and unaudited financial information for the nine months ended December 31, 2001. The summary financial information for the years ended and as of March 31, 1999, 2000 and 2001 set forth below are derived from the Tata Power's audited financial statements which will be filed with the SEC on Schedule TO on March 28, 2002. The summary financial information is based on Tata Power's Indian GAAP financial statements which have been audited as at and for the years ended March 31, 1999, 2000 and 2001 by A. F. Ferguson & Co., Chartered Accountants, and S. B. Billimoria & Co., Chartered Accountants, in accordance with Indian GAAP. For further information on the significant differences between Indian GAAP and US GAAP please see paragraph 12.

Summary Income Statement Data	For the Financial Year ended March 31,			Nine Months ended December 31, 2001
	1999	2000	2001*	
	Rs. in millions			
Revenues from operations	11,560.0	14,007.2	33,735.7	29,506.3
Other Revenues	1,127.0	1,702.1	2,770.9	2,977.4
Total Revenues	12,687.0	15,709.3	36,506.6	32,483.7
Total Expenditure	8,305.2	10,361.8	26,851.8	22,545.6
PBDIT	4,381.8	5,347.5	9,654.8	9,938.1
Depreciation	946.1	1,006.0	2,045.5	2,101.7
Interest	988.9	1,045.3	2,309.1	2,210.5
Profit Before Tax	2,446.8	3,296.2	5,300.2	5,625.9
Provision for Tax	830.7	975.9	1,404.2	1,222.2
Profit After Tax (Before Extraordinary items)	1,616.1	2,320.3	3,896.0	4,403.7
Summary Balance Sheet Data	As at March 31,			
	1999	2000	2001*	
	Rs. in millions			
Shareholders' Equity and Loans				
Paid-up share capital	1,154.5	1,155.4		1,979.1
Reserves and Surplus (excluding revaluation reserves)	15,529.1	17,410.5		36,701.5
<i>Net Worth</i>	<i>16,683.6</i>	<i>18,565.9</i>		<i>38,680.6</i>
Secured Loans	4,968.7	6,243.1		13,379.6
Unsecured Loans	7,290.7	6,236.9		12,599.3
<i>Total Loans</i>	<i>12,259.4</i>	<i>12,480.0</i>		<i>25,978.9</i>
Total Shareholders' Equity and Loans	28,943.0	31,045.9		64,659.5
Net Assets				
Net Fixed Assets	13,713.9	14,190.2		36,000.1
Investments	12,081.5	13,549.2		15,051.9
Net Current Assets	3,109.9	3,276.1		13,052.9
Total miscellaneous expenditure not written off	37.7	30.4		554.6
Total Net Assets	28,943.0	31,045.9		64,659.5

Other Financial Data	Financial Year		
	1999	2000	2001*
Dividend Per Share (Rs.)	3.7	4.2	5.0
Earning Per Share (Rs.)	13.90	20.06	19.66
Return on Net Worth (%) ⁽¹⁾	13.0%	17.0%	14.0%
Ratio of earnings to fixed assets (%)	3.63	4.68	3.16
Book Value Per Share (Rs.)	96.81	110.86	132.69

⁽¹⁾ Net Worth excludes Statutory Reserves and Miscellaneous Expenses (to the extent not written off)

* Represents combined figures for the three companies, Tata Power Limited, The Tata Hydro Electric Power Supply Company Limited and the Andhra Valley Power Supply Company Limited, which merged with effect from April 1, 2000. Figures for 1999 and 2000 include only Tata Power.

Tata Power has issued a corporate guarantee on February 21, 2002 as security for debentures issued by Panatone as referred in Paragraph 3.1.

With reference to VSNL, Tata Power was not required to comply with the provisions of Chapter II of the Regulations. Panatone has disclosed its acquisition of more than 5% Equity Shares in VSNL pursuant to the Government of India disinvestment under Regulation 7 of the Regulations and has disclosed Tata Power as a Person Acting in Concert. Tata Power holds no Equity Shares. Tata Power, its directors and its promoter, Tata Sons, have not been prohibited by SEBI from dealing in securities in terms of directions issued under Section 11 B of the SEBI Act, 1992.

The information on major companies promoted/acquired by Tata Power is as follows:

Name of the Company	Date of Incorporation	Nature of Business
Tata Petrodyne Limited	January 17, 1993	Oil and Gas exploration and production
Chemical Terminal Trombay Limited	March 17, 1970	Receiving and storing chemicals
Af-Taab Investment Company Limited	February 21, 1979	Investment company

None of the above companies is a sick industrial company within the meaning of Section 3(1)(o) of the Indian Sick Industrial Companies (Special Provisions) Act, 1985.

The financial information of the above companies for the last three years based on their audited accounts and presented in accordance with Indian GAAP is as follows:

Tata Petrodyne Limited	(Rs. in millions, except per share data)		
	1999	Year ended March 31,	
		2000	2001
Sales and Other Income	414.31	606.08	456.09
Profit/(loss) after Tax	(126.81)	(370.77)	164.38
Equity Share Capital	980.00	980.00	980.00
Reserves & Accumulated Deficit (net of miscellaneous expenditure not written off)	(346.57)	(668.93)	(486.71)
Earnings Per Share	Negative	Negative	1.68
Book Value Per Share	6.46	3.17	5.03

Chemical Terminal Trombay Limited	(Rs. in millions, except per share data)		
	1999	Year ended March 31,	
		2000	2001
Income	162.64	162.19	128.05
Profit/(loss) after Tax	57.41	56.19	35.06
Equity Share Capital	19.20	19.20	19.20
Reserves & Surplus	239.19	276.20	297.51
Earnings Per Share	299.03	292.67	182.63
Book Value Per Share	1,345.78	1,538.55	1,649.54

Af-taab Investment Company Limited	(Rs. in millions, except per share data)		
	1999	Year ended March 31,	
		2000	2001
Sales and Other Income	43.11	189.35	71.59
Profit/(loss) after Tax	24.13	(39.06)	39.99
Equity Share Capital	29.76	29.76	89.28
Reserves & Surplus	180.27	216.70	475.50
Earnings Per Share (Rs. 100 per fully paid -up share)	81.08	Negative	44.79
Book Value Per Share (Rs. 100 per fully paid -up share)	705.74	828.16	632.60

3.4 The Tata Iron and Steel Company Limited

Tata Steel is a public limited company incorporated on August 26, 1907 under the Indian Companies Act, VI of 1882 with its Registered Office at Bombay House, 24, Homi Mody Street, Mumbai 400 001. Tata Sons is the promoter of Tata Steel.

Tata Steel commenced commercial operations in 1911 and is an integrated steel producer engaged in the business of manufacturing and dealing in steel and steel products like wire rods, structurals, tubes, bars, bearings, hot rolled coils, cold rolled coils and sheets and semi-finished products like billets, blooms and slabs. Today, it is the largest producer of saleable steel in India in the private sector. Its present capacity to manufacture saleable steel is 3.28 Million Tonnes per Annum. In financial year 2001, Tata Steel sold 3.40 million tonnes of saleable steel. Tata Steel also mines chrome ore and produces ferro chrome/ charge chrome. Tata Steel has a captive power generation capacity of approximately 160 MW. Most of the Tata Steel's manufacturing facilities are located in Jamshedpur (Jharkhand), India, close to iron ore and coal reserves. Tata Steel's Bearing Division, Ferro Manganese Plant, charge Chrome Plant and Cold Rolling Complex are located at Kharagpur (West Bengal), Joda (Orissa), Bamnival (Orissa), and Jamshedpur and Tarapur (Maharashtra), India, respectively. Tata Steel also has mines, collieries and quarries in the states of Jharkhand, Orissa and Karnataka, India.

Ordinary Shares of Tata Steel are listed on nine stock exchanges in India: The Stock Exchange, Mumbai; National Stock Exchange of India Limited, Mumbai; The Stock Exchange, Ahmedabad; The Calcutta Stock Exchange Association Ltd., Kolkata; Cochin Stock Exchange Ltd., Kochi; The Delhi Stock Exchange Association Ltd., New Delhi; Magadh Stock Exchange Association, Patna; Pune Stock Exchange Ltd., Pune and The Uttar Pradesh Stock Exchange Association Ltd., Kanpur. Global Depository Receipts issued by Tata Steel are listed on the Luxembourg Stock Exchange. As on March 26, 2002, the closing price of Ordinary Shares of Tata Steel on the Stock Exchange, Mumbai was Rs. 99.70 (Source: Bloomberg)

The shareholding pattern of Tata Steel as on December 31, 2001 is as follows:

Category	Shares held	% voting rights
Indian Promoters (Tata Group)	97,130,919	26.41
Indian Institutional Shareholders	109,429,387	29.75
Foreign Institutional Investors	18,535,963	5.04
Private Corporate Bodies	16,956,097	4.61
Indian Public	124,442,573	33.84
Non-Resident Indians/Overseas Corporate Bodies	1,276,962	0.35
Total	367,771,901	100.00

The name, residential address, present occupation and five-year employment history of each director and executive officer of Tata Steel are listed below. Where no date is shown, the individual has occupied the position indicated for the past five years.

Name	Residential Address	Present Principal Occupation / Past Five-Year Employment History
Mr. R. N. Tata (Chairman)	Flat No. 202-A, Bakhtavar Building, Lower Colaba Road, Mumbai 400 005	Executive Chairman, Tata Sons; Executive Chairman, Tata Engineering
Mr. Keshub Mahindra	St. Helen's Court, Dr. Gopalrao Deshmukh Marg, Mumbai – 400 026	Non-Executive Chairman, Mahindra & Mahindra Ltd.*
Mr. S. A. Sabavala	'Beau Rivage' 77, Worli Sea Face, Mumbai – 400 025	Non-Executive Company Director,
Mr. Mantosh Sondhi	3-B/6, Gangaram Hospital Marg, New Delhi – 110 060	Non-Executive Company Director,
Mr. Nusli Neville Wadia	'Beach House', Savarkar Marg, Prabhadevi, Mumbai – 400 025	Industrialist / Chairman, Bombay Dyeing & Manufacturing Company Ltd.*
Mr. S. M. Palia	16, Ruchir Bungalows, Vastrapur, Ahmedabad – 380 054	Non-Executive Company Director,
Mr. Pratap Krishan Kaul ⁽¹⁾	House No. 225, Sector 15-A, Noida (U.P.) 201 301	Non-Executive Company Director,
Mr. Suresh Krishna	79, Poes Garden, Chennai 600 086	Chairman and Managing Director, Sundaram Fasteners Ltd.*
Mr. Kumar Mangalam Birla	16-A, Il Palazzo, Little Gibbs Road, Mumbai – 400 006	Chairman, Hindalco Industries Ltd.*
Mr. Ishaat Hussain	Flat No. 222, B-Wing, NCPA Residential Apartments, Nariman Point, Mumbai – 400 021	Finance Director, Tata Sons Executive Director (Finance), Tata Steel;
Mr. Surendra Kumar Kapur ⁽¹⁾	43-A, Jolly Maker Apartments, No. 1 Cuffe Parade, Mumbai 400 005	Non-Executive Company Director, Dy. Managing Director and Chairman-in-Charge, IDBI;

Dr. J. J. Irani	Flat No. 221, A Wing, NCPA Residential Apartments, Nariman Point, Mumbai 400 021	Non-Executive Company Director Managing Director, Tata Steel
Mr. B. Muthuraman	7, C Road East, Jamshedpur – 831 001	Managing Director, Tata Steel Dy. Managing Director, Tata Steel;
Dr. T. Mukherjee	5, C Road, Northern Town, Jamshedpur – 831 001	Dy. Managing Director, Tata Steel; Executive Director – Operations, Tata Steel
Mr. Arun Narayan Singh	Beldih House, Sakchi Boulevard Road, Jamshedpur – 831 001	Dy. Managing Director, Tata Steel; Executive Director (Town, Medical & Social Services)

⁽¹⁾Financial Institutions' Nominee

- * (i) The address of Mahindra & Mahindra is Gateway Building, Apollo Bunder, Mumbai 400 039, India.
(ii) The address of Bombay Dyeing & Manufacturing Company Ltd. is Neville House, Ballard Estate, Mumbai 400 038, India.
(iii) The address of Sundaram Fasteners Ltd. is 7th Floor, 98-A, Dr.Radhakrishnan Salai, Chennai 600 004, India.
(iv) The address of Hindalco Industries Ltd. is 6th Floor, Industry House, Churchgate Reclamation, Mumbai 400 020, India.
(v) The address of IDBI is IDBI Tower, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005

Please note that any correspondence to the directors and executive officers must be addressed to the office address of the directors and executive officers at Bombay House, 24, Homi Mody Street, Mumbai 400 001. None of the above directors or executive officers is on the board of directors of VSNL except Mr. R. N. Tata who has been appointed as the Non-Executive Chairman of VSNL on February 13, 2002.

The persons listed above are all citizens of India. None of Tata Steel and the persons listed above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, U.S. federal or state securities laws or finding any violation with respect to such laws.

To the best knowledge of Tata Steel, after reasonable enquiry, as of date, none of (i) Tata Steel, (ii) the directors or executive officers of Tata Steel and (iii) their associates and majority-owned subsidiaries hold any Equity Shares. There have been no transactions in the last 60 days in Equity Shares by these persons.

The following is a summary of the audited financial information of Tata Steel for the last three years and unaudited financial information for the nine months ended December 31, 2001. The summary financial information for the years ended and as of March 31, 1999, 2000 and 2001 set forth below are derived from the Tata Steel's audited financial statements, which will be filed with the SEC on Schedule TO on March 28, 2002. The summary financial information is based on Tata Steel's Indian GAAP financial statements which have been audited as at and for the years ended March 31, 1999, 2000 and 2001 by A. F. Ferguson & Co., Chartered Accountants, and S. B. Billimoria & Co., Chartered Accountants, in accordance with Indian GAAP. For further information on the significant differences between Indian GAAP and US GAAP please see paragraph 12.

	Year ended March 31,			For the Nine Months
	1999	2000	2001	ended December 31, 2001
	Rs. in millions			
Summary Profit and Loss Data:				
Revenues from operations	62,746.4	68,908.7	77,594.4	54,465.5
Other revenues	609.6	524.6	551.4	476.3
Total revenues	63,356.0	69,433.3	78,145.8	54,941.8
Total expenditure	53,379.9	56,577.3	60,574.4	45,375.6
Profit before depreciation, interest, exceptional/ extraordinary items and tax	9,976.1	12,856.0	17,571.4	9,566.2
Depreciation	3,821.8	4,265.4	4,922.5	4,028.2
Interest (net)	3,015.6	3,599.6	3,766.1	3,064.6
Profit before tax and exceptional/ extraordinary items	3,138.7	4,991.0	8,882.8	2,473.4
Exceptional/ Extraordinary items	13.6	(225.1)	(2,858.4)	(1,543.7)
Profit before tax	3,152.3	4,765.9	6,024.4	929.7
Provision for tax	330.0	540.0	490.0	105.4
Profit after tax	2,822.3	4,225.9	5,534.4	824.3

	As at March 31,		
	1999	2000	2001*
	Rs. in millions		
Summary Balance Sheet Data:			
Shareholders' Equity and Loans			
Paid-up ordinary share capital	3,679.7	3,679.7	3,679.7
Reserves and surplus (excluding revaluation reserves)	37,964.5	40,404.3	43,804.6
Net Worth	41,644.2	44,084.0	47,484.3
Paid-up preference share capital	-	1,500.0	1,400.0
Secured loans	40,389.1	41,409.1	41,299.6
Unsecured loans	9,000.2	7,663.2	5,422.6
Provision for employee separation compensation	5,205.3	7,865.3	8,831.3
Total	96,238.8	102,521.6	104,437.8
Net Assets			
Net fixed assets	70,585.8	74,263.8	75,380.9
Investments	5,854.4	8,007.8	8,469.2
Net current assets	14,258.6	11,968.8	11,384.8
Miscellaneous expenditure (to the extent not written off or adjusted)	5,540.0	8,281.2	9,202.9
Total	96,238.8	102,521.6	104,437.8

	Financial Year		
	1999	2000	2001
	Rs.	Rs.	Rs.
Other Financial Data			
Dividend Per Share (Rs.)	4.0	4.0	5.0
Earning Per Share (Rs.)	7.67	11.26	14.64
Ratio of earnings to Fixed Charges (%)	1.31	1.43	2.16
Return on Net Worth	7.82%	11.56%	14.07%
Book Value Per Share	Rs. 98.16	Rs. 97.34	Rs. 104.09

With reference to VSNL, Tata Steel was not required to comply with the provisions of Chapter II of the Regulations. Panatone has disclosed its acquisition of more than 5% Equity Shares in VSNL pursuant to the Government's of India disinvestment under Regulation 7 of the Regulations and has disclosed Tata Steel as a Person Acting in Concert. Tata Steel holds no Equity Shares. Tata Steel, its directors and its promoters, Tata Sons have not been prohibited by SEBI from dealing in securities in terms of directions issued under Section 11 B of the SEBI Act, 1992.

The information on major companies promoted by Tata Steel is as follows:

<u>Name of the Company</u>	<u>Date of Incorporation</u>	<u>Nature of Business</u>
Tata Sponge Iron Limited	July 31, 1982	Manufacture and marketing of sponge iron
Tata Yodogawa Limited	Feb. 2, 1968	Manufacture of steel, steel base and cast iron rolls
The Tinplate Company of India Limited	Jan. 20, 1920	Manufacture and sale of tinplates and rolled sheets
TRF Limited	Nov. 20, 1962	Manufacture of bulk material equipment and execution of turnkey contracts for bulk material handling
Tata Ryerson Limited	May 14, 1997	Processing of CR files
Tata Metaliks Limited	Oct. 10, 1990	Manufacture and sale of Pig Iron
Tata SSL Limited	May 10, 1958	Manufacture of Steel wires, narrow cold sheets

None of the above companies is a sick industrial company within the meaning of Section 3(1)(o) of the Indian Sick Industrial Companies (Special Provisions) Act, 1985.

The financial information for the above companies for the last three years based on their audited accounts and presented in accordance with Indian GAAP is as follows:

	(Rs. in millions, except per share data)		
	Year ended March 31,		
Tata Sponge Iron Limited	1999	2000	2001
Sales and other Income	981.0	1279.3	1361.4
Profit after Tax	52.2	93.7	85.3
Equity Capital	154.0	154.0	154.0
Reserves and surplus (see Note)	291.9	351.4	402.7
Earnings Per Share	3.39	6.08	5.54
Book Value Per Share	28.95	32.82	36.15

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

	(Rs. in millions, except per share data)		
	Year ended March 31,		
Tata Yodogawa Limited	1999	2000	2001
Sales and other Income	760.4	890.8	943.4
Profit after Tax	53.5	46.8	36.3
Equity Capital	54.7	54.7	54.7
Reserves and surplus (see Note)	216.5	243.5	260.2
Earnings Per Share	9.77	8.54	6.63
Book Value Per Share	50.00	54.00	58.00

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

	(Rs. in millions, except per share data)		
	Year ended June 30,		
The Tinplate Company of India Limited	1999	2000	2001
	(15 months)	(9 months)	
Sales and other Income	2,243.2	1,153.8	1,723.9
Loss after Tax	(433.7)	(107.1)	(183.2)
Equity Capital	288.8	288.8	288.8
Reserves and accumulated deficit (see Note)	(617.7)	(970.2)	(1,092.6)
Earnings Per Share (see Note)	*	*	*
Book Value Per Share (see Note)	*	*	*

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

* represents negative value

	(Rs. in millions, except per share data)		
	Year ended March 31,		
TRF Limited	1999	2000	2001
Sales and other Income	1896.1	1310.4	1298.5
Profit after Tax	12.8	49.4	31.5
Equity Capital	46.8	55.0	55.0
Reserves and surplus (see Note)	152.95	201.70	192.30
Earnings Per Share	2.73	8.98	5.72
Book Value Per Share	42.67	46.67	44.97

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

	(Rs. in millions, except per share data)		
	Year ended March 31,		
Tata Ryerson Limited	1999	2000	2001
Sales and other Income	101.1	217.3	638.4
Profit/(Loss) after Tax	9.6	(17.4)	9.3
Equity Capital	500.0	500.0	500.0
Reserves and accumulated deficit (see Note)	(0.50)	(16.82)	(5.80)
Earnings Per Share	0.19		0.19
Book Value Per Share	9.99	9.66	9.88

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

(Rs. in millions, except per share data)
Year ended March 31,

Tata Metaliks Limited	1999	2000	2001
Sales and other Income	863.1	937.6	1087.0
Profit after Tax	1.4	30.0	85.0
Equity Capital	252.9	252.9	252.9
Reserves and surplus (see Note)	(0.30)	32.50	84.92
Earnings Per Share	0.05	1.18	3.36
Book Value Per Share	9.99	11.28	13.36

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

(Rs. in millions, except per share data)
Year ended March 31,

Tata SSL Limited	1999	2000	2001
Sales and other Income	8,052.7	6,590.1	6,601.9
Profit/(Loss) after Tax	(175.0)	36.5	4.9
Equity Capital	316.7	316.7	316.7
Reserves and surplus (see Note)	1113.6	1116.7	1096.3
Earnings Per Share	-	1.15	0.16
Book Value Per Share	45.12	45.22	44.58

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

3.5 Tata Industries Limited

Tata Industries was incorporated on April 7, 1945 under the Indian Companies Act, 1913 (No. VII of 1913). Its registered office is situated at Bombay House, 24 Homi Mody Street, Mumbai 400 001. It has been promoted by Tata Sons. Tata Industries is a non-banking financial company established with the object of promoting and financing industrial enterprises and is registered with the Reserve Bank of India. The principal business of Tata Industries is the promotion of new companies and businesses within the Tata Group, which is carried out through the acquisition of shares, stocks, debentures and other securities. Tata Industries is an unlisted company.

The shareholding pattern of Tata Industries as on the date of this Letter of Offer is as follows:

Category	Shares held	% voting rights
Tata Sons	12,172,488	27.26
Other Tata companies	23,546,385	52.74
JSH (Mauritius) Ltd.	8,929,716	20.00
Total	44,648,589	100.00

The name, residential address, present occupation and five-year employment history of each director and executive officer of Tata Industries are listed below. Where no date is shown, the individual has occupied the position indicated for the past five years.

Name	Residential Address	Present Principal Occupation / Past Five-Year Employment History
Mr. R. N. Tata (Chairman)	Flat No. 202-A, Bakhtavar Building, Lower Colaba Road, Mumbai 400 005	Executive Chairman, Tata Sons; Executive Chairman, Tata Engineering
Dr. F. A. Mehta	8. Somerset House, Opp.Colaba Post Office, Mumbai 400 005	Non-Executive Company Director,
Mr. F.K. Kavarana	CCI Chambers, 5th Floor, Fl No. 9, Dinshaw Vachha Road, Mumbai 400 020	Executive Chairman, Tata Infotech Ltd.*; Executive Director, Tata Engineering & Locomotive Co. Ltd.*
Mr. N.A. Soonawala	29 Hampton Court, 7th Floor, Opp. Colaba Post Office, Mumbai 400 005	Non-Executive Company Director Finance Director, Tata Sons
Mr. J.E. Talaulicar	Silver Arch, L Jagmohandos Marg, Mumbai 400 006	Non-Executive Company Director,
Mr. Sujit Gupta	23A, Prithviraj Road, New Delhi – 110 011	President, Tata Services Ltd.; Managing Director, Hitech Drilling Services Ltd.*
Mr. Syamal Gupta	Quest End, 5th Floor, 47, Cuffe Parade, Colaba, Mumbai 400 005	Non-Executive Company Director, Managing Director, Tata International Ltd.*

Mrs. S. N. Tata	302, Bakhtavar, Opp. Colaba Post Office, Mumbai – 400 005	Chairperson, Trent Ltd.* Chairperson & Managing Director, Lakme Ltd.*
Dr. J.J. Irani	Flat No. 221 A Wing, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Non-Executive Company Director Managing Director, Tata Steel
Mr. X. S. Desai	No. 41, 2 nd Main 4 th Cross, Defence Colony, Indira Nagar, Bangalore – 560 038	Vice Chairman and Managing Director, Titan Industries Ltd.*
Mr. R. K. Krishna Kumar	Flat No. 213, B Block, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Managing Director, The Indian Hotels Company Ltd.*
Mr. Ishaat Hussain	Flat No. 222, B Wing, NCPA Residential Complex, Nariman Point, Mumbai 400 021	Finance Director, Tata Sons; Executive Director (Finance), Tata Steel
Mr. S. Ramakrishnan	Flat No. 103, 8-2-120/117/1, Park View Enclave, Road No. 2, Banjara Hills, Hyderabad 500 033	Managing Director, Tata Teleservices Ltd. * Dy. Managing Director, Indian Hotels Co. Ltd.* (From Sept 1997 to Sept 1999)
Mr. R.A.Rosling	9 Hill Park Road, Dr.A.G.Bell Marg, Malabar Hill, Mumbai 400 006	Chairman, Jardine Matheson Group of Companies in India *
Mr. S. Ramadorai	104 Sagar Darshan, 8 Worli Sea Face, Worli, Mumbai 400 025	Chief Executive Officer, Tata Consultancy Services*
Mr. K.A.Chaukar	Flat 113, NCPA Residential Complex, Nariman Point, Mumbai, 400 021	Managing Director, Tata Industries; Managing Director, ICICI Securities & Finance Co. Ltd. *

**(i) The address of Tata Services Ltd. is Jeenan Bharati, Tower 1, 10th Floor, 124 Connaught Circus, New Delhi 110 001.*

(ii) The address of Hitech Drilling Services Limited was 310, Prakashdeep, 7, Tolstoy Mang, New Delhi 110 001. The address of Tata Infotech Ltd is Manish Commercial Building, Worli, Mumbai 400 025.

(iii) The address of Trent Ltd (formerly Lakme) is Bombay House, Homi Mody Street, Mumbai 400 001

(iv) The address of Titan Industries Ltd is Golden Enclave, Tower A, Airport Road, Bangalore 560 017

(v) The address of The Indian Hotels Company Ltd is Apollo Bunder, Mumbai

(vi) The address of Tata Teleservices Ltd is KLK Estate, Fateh Maidan Road, Hyderabad 500 001

(vii) The address of Jardine Matheson Group of Companies is 54, Free Press House, 215, Nariman Point, Mumbai 400 021

(viii) The address of Tata Consultancy Services is Air India Building, 11th Floor, Nariman Point, Mumbai 400 021

(ix) The address of ICICI Securites and Finance Co. Ltd. Is 41/44, Minoo Desai Marg, Colaba, Mumbai 400 005

Please note that any correspondence to the directors and executive officers must be addressed to the official address of the directors and executive officers at Bombay House, 24, Homi Mody Street, Fort, Mumbai 400 001. None of the above directors or executive officers is on the board of directors of VSNL except Mr. R.N. Tata who has been appointed as the Non-Executive Chairman of VSNL on February 13, 2002.

The persons listed above are all citizens of India, except Mrs. S.N. Tata who is a citizen of France and Mr. R.A. Rosling who is a British national. None of Tata Industries and the persons listed above has been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or has been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, U.S. federal or state securities laws or finding any violation with respect to such laws.

To the best knowledge of Tata Industries, after reasonable enquiry, as of date, none of (i) Tata Industries, (ii) the directors or executive officers of Tata Industries and (iii) their associates and majority-owned subsidiaries hold any Equity Shares except as disclosed in paragraph 5. There have been no transactions in the last 60 days in Equity Shares by these persons.

The following is a summary of the audited financial information of Tata Industries for the last three years and unaudited financial information for the nine months ended December 31, 2001 The summary financial information for the years ended and as of March 31, 1999, 2000 and 2001 set forth below are derived from the Tata Industries' audited financial statements which will be filed with the SEC on Schedule TO on March 28, 2002. The summary financial information is based on Tata Industries' Indian GAAP financial statements which have been audited as at and for the years ended March 31, 1999, 2000 and 2001 by A. F. Ferguson and Co., Chartered Accountants in accordance with Indian GAAP. For further information on the significant differences between Indian GAAP and US GAAP, please see paragraph 12.

Summary Profit and Loss	For the Financial Year ended March 31,			Nine Months ended December 31, 2001
	1999	2000	2001	
	Rs. in millions			
Revenues from operations	221.1	282.4	369.4	317.1
Other Revenues	977.0	1,122.2	739.7	817.7
Total Revenues	1,198.1	1,404.6	1,109.2	1,134.8
Total Expenditure	240.3	295.0	489.6	269.2
Provision for diminution in value of investments	480.0	580.0	205.0	*
PBDIT	477.8	529.6	414.5	865.6
Depreciation	13.2	16.4	22.4	24.3
Interest	427.0	470.6	326.1	521.3
Profit Before Tax	37.6	42.6	66.0	320.0#
Provision for Tax	-	-	2.5	-
Profit After Tax (After Extraordinary items)	37.6	42.6	63.5	320.0#

* Provision, if any, for diminution in the value of investments will be determined only on as on March 31, 2002 and the Profit After Tax will be adjusted accordingly.

The Profit Before Tax and Profit After Tax for the year ending March 31, 2002 is expected to be lower in view of the interest charge in the last quarter and the impact, if any, of provisions for diminution in the value of Investments which will be determined in March 2002.

Summary Balance Sheet Data:

	As at March 31,		
	1999	2000	2001*
	Rs. in millions		
Shareholders' Equity and Loans			
Paid up share capital	1,488.3	4,464.9	4,464.9
Reserves and Surplus (excluding revaluation reserves)	2,167.6	2,210.1	2,273.7
<i>Net Worth</i>	<i>3,655.9</i>	<i>6,675.0</i>	<i>6,738.6</i>
Secured Loans	2,000.0	3,500.0	3,500.0
Unsecured Loans	3,630.8	828.0	2,231.3
<i>Total Loans</i>	<i>5,630.8</i>	<i>4,328.0</i>	<i>5,731.3</i>
Total Shareholders' Equity and Loans	9,286.7	11,003.0	12,469.9
Net Assets			
Net Fixed Assets	92.7	133.4	167.8
Investments	7,657.4	8,825.1	11,004.5
Net Current Assets	1,531.3	2,035.4	1,292.2
Total miscellaneous expenditure not written off	5.3	9.1	5.4
Total Net Assets	9,286.7	11,003.0	12,469.9

Other Financial Data	Financial Year		
	1999	2000	2001
<i>(face value Rs. 100 per share)</i>			
Dividend Per Share	Nil	Nil	Nil
Earning Per Share (Rs.)	2.52	0.95	1.42
Return on Net Worth (%)	1.02	0.64	0.94
Ratio of earnings to fixed charges (%)	1.09	1.09	1.20
Book Value Per Share (Rs.)	245.28	149.29	150.80

With reference to VSNL, Tata Industries was not required to comply with the provisions of Chapter II of the Regulations. Panatone has disclosed its acquisition of more than 5% Equity Shares in VSNL pursuant to the Government of India disinvestment under Regulation 7 of the Regulations and has disclosed Tata Industries as a Person Acting in Concert. Tata Industries holds no Equity Shares. Tata Industries, its directors and its promoters, Tata Sons have not been prohibited by SEBI from dealing in securities in terms of directions issued under Section 11 B of the SEBI Act, 1992.

The information on major companies promoted by Tata Industries is as follows:

<u>Name of the Company</u>	<u>Date of Incorporation</u>	<u>Nature of Business</u>
Tata Telecom Limited	August 19, 1986	Manufacture of EPBAX and Telecom Equipment
Tata Honeywell Limited	January 13, 1984	Process Management and control systems
Tata Elxsi Limited	March 30, 1989	Manufacturer of Multi-processor based computer systems
Information Technology Park Limited	January 13, 1994	Establishment, development and management of information technology business park
Birla Tata AT&T Limited	March 14, 1995	Providing cellular mobile telephone services
(formerly Tata Cellular Limited before merger with Birla AT&T Communications Limited)	(March 23, 1995)	
Tata Teleservices Limited	March 23, 1995	Providing Basic telephone services
Tata Autocomp Systems Limited	October 17, 1995	To promote and support the growing market opportunities for automobile components
Tata Finance Limited	March 16, 1984	Hire purchase and leasing and other financial services

None of the above companies is a sick industrial company within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985.

The financial information for the above companies for the last three years based on their audited accounts and presented in accordance with Indian GAAP is as follows:

Tata Telecom Limited	Rs. in millions, except per share data		
	Year ended March 31,		
	1999	2000	2001
Sales and other Income	1786.7	1847.7	2377.2
Profit/(Loss) after Tax	(196.5)	(52.6)	131.2
Equity Capital	142.3	142.3	142.3
Reserves and surplus (see Note)	322.5	278.1	416.5
Earnings Per Share	-	-	9.21
Book Value Per Share	32.65	30.55	49.76

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Tata Honeywell Limited	Rs. in millions, except per share data		
	Year ended March 31,		
	1999	2000	2001
Sales and other Income	2321.7	2791.9	2758.9
Profit after Tax	111.1	192.8	194
Equity Capital	88.4	88.4	88.4
Reserves and surplus (see Note)	346.2	482.8	621.1
Earnings Per Share	12.60	21.80	21.90
Book Value Per Share	49.20	64.60	80.3

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Tata Elxsi Limited	Rs. in millions, except per share data		
	Year ended March 31,		
	1999	2000	2001
Sales and other Income	951.5	1,247.5	1,379.0
Profit after Tax	27.7	67.0	138.6
Equity Capital	311.4	311.4	311.4
Reserves and surplus (see Note)	1.6	17.9	70.8
Earnings Per Share	0.89	2.15	4.44
Book Value Per Share	10.08	10.57	12.27

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Rs. in millions, except per share data
Year ended March 31,

Information Technology Park Limited	1999	2000	2001
Sales and other Income	260.0	301.6	1,284.9
Loss after Tax	(163.9)	(806.0)	(613.8)
Equity Capital	450.0	2,130.0	2,130.0
Reserves and accumulated deficit (see Note)	(401.7)	(1,702.6)	(1,194.5)
Earnings Per Share	-	-	-
Book Value Per Share	2.41	2.00	4.39

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Rs. in millions, except per share data
Year ended March 31,

Birla Tata AT&T Limited	1999	2000	2001
Sales and other Income	1,237.1	1,673.8	3,282.0
Loss after Tax	(3,306.6)	(1,189.6)	(2,418.6)
Equity Capital	8,796.0	8,945.0	8,945.0
Reserves and accumulated deficit (see Note)	(5,415.0)	(6605.0)	(1,146.0)
Earnings Per Share	-	-	-
Book Value Per Share	3.84	2.62	2.76

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Rs. in millions, except per share data
Year ended March 31,

Tata Teleservices Limited	1999 (6 months)	2000	2001
Sales and other Income	1.7	284.8	863.4
Loss after Tax	(7.5)	(1,986.9)	(1480.5)
Equity Capital	1,015.0	4,237.0	5,107.0
Reserves and accumulated deficit (see Note)	(262.7)	(2,470.5)	(3,881.6)
Earnings Per Share	Negative	Negative	Negative
Book Value Per Share	7.41	4.17	2.40

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Rs. in millions, except per share data
Year ended March 31,

Tata Autocomp Systems Limited	1999	2000	2001
Sales and other Income	113.0	60.9	51.2
Loss after Tax	(16.3)	(13.4)	(58.2)
Equity Capital	1480.0	1480.0	1480.0
Reserves and accumulated deficit (see Note)	(108.6)	(135.6)	(211.0)
Earnings Per Share	Negative	Negative	Negative
Book Value Per Share	9.27	9.08	8.57

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

Rs. in millions, except per share data
Year ended June 30,

Tata Finance Limited	1999	2000	2001
Sales and other Income	5,508.1	6,112.7	5,269.1
Profit/(Loss) after Tax	429.7	567.8	(3,955.6)
Equity Capital	408.1	454.8	454.8
Reserves and surplus/(accumulated deficit) (see Note)	2,282.0	2,840.0	(1,239.3)
Earnings Per Share	10.53	12.49	Negative
Book Value Per Share	65.90	72.46	Negative

Note : After adjusting debit balance in profit and loss account and miscellaneous expenditure not written off

4. BACKGROUND OF VIDESH SANCHAR NIGAM LIMITED

VSNL has its registered office at Videsh Sanchar Bhavan, Mahatma Gandhi Road, Mumbai, and was incorporated under the Companies Act, 1956 as a limited liability company on March 19, 1986 and at that time was wholly owned by the Government of India. On April 1, 1986, VSNL assumed control and management of the international telecommunication services from the Overseas Communication Service, a department of the Ministry of Communications of the Government of India. VSNL has since been the exclusive provider of public international telecommunication services in India, which directly and indirectly link the domestic telecommunications network to other countries. This monopoly over international long distance services in India was slated to end on March 31, 2004. However, as per the Government of India letter No. 37-21/2000-OC dated September 7, 2000, the monopoly of VSNL is slated to terminate earlier on March 31, 2002 and international long distance services in India will be open for competition from April 1, 2002.

The aforementioned letter of the Government of India also provided that as interim compensation for early termination of the monopoly of VSNL over international long distance services, (i) VSNL would be granted a licence to operate national long distance telecommunications services in India; (ii) the licence fee in respect of the national long distance telecommunications services, both by way of entry fee and revenue share, paid by VSNL to the Government of India, would be repaid net of taxes to VSNL by Government of India for a period of 5 years from April 2001 and (iii) VSNL would be granted a category 'A' licence to provide Internet services. The Government of India vide its letter no: F.No.40-2/2002-OC dated: 28/29 January 2002 has informed VSNL that Mahanagar Telephone Nigam Limited and Bharat Sanchar Nigam Limited have been directed to route their international long distance traffic through VSNL for a period of 2 years after transfer of management control to Panatone, its strategic partner, as a "Most Favoured Customer" at market rates and that this would be the full and final compensation to VSNL for early termination of its monopoly in international long distance services by 2 years.

VSNL is currently the largest Internet service provider in India. It also provides other value-added services like international leased lines, Inmarsat mobile services, managed data network services, gateway electronic data interchange services, video conferencing and television uplinking.

There have been no mergers/demergers or spinoffs during the last 3 years involving VSNL.

The issued, subscribed and paid up share capital of VSNL as at the date of this Letter of Offer is Rs. 2,850 million comprising 285,000,000 Equity Shares of Rs. 10 each. There are no partly paid up Equity Shares as on the date of this Letter of Offer. The Equity Shares are listed on the Stock Exchange, Mumbai; the National Stock Exchange of India Limited, the Calcutta Stock Exchange Association Limited, Kolkata; Chennai Stock Exchange and the Delhi Stock Exchange Association Limited. ADSs of VSNL are listed and traded on the New York Stock Exchange. Upon being notified of the holdings of persons owning more than 5% Equity Shares in VSNL, VSNL has complied with all the applicable provisions of Chapter II of the Regulations. VSNL has complied with its listing requirements and no punitive actions have been taken against VSNL.

The capital structure of VSNL is as follows:

Issued equity shares of Rs. 10/- each	No. of shares	% of issued shares	% of voting rights
Fully paid-up Equity Shares (a)	285,000,000	100%	100%
Partly paid-up Equity Shares (b)	Nil	Nil	Nil
Total Issued Equity Shares (a+b)	285,000,000	100%	100%
Total voting rights in VSNL	285,000,000	100%	100%

There are no outstanding convertible instruments issued by VSNL.

Members of the Board of Directors of VSNL as on date are listed below:

Name	Residential Address
Mr. R. N. Tata	Flat No. 202-A, Bakhtavar Building, Lower Colaba Road, Mumbai 400 005
Mr. S. K. Gupta	4B, Sett Minar, Opp. Jaslok Hospital, Peddar Road, Mumbai - 400 026
Mr. N. Srinath	Grand Bay Apartments, 8 th Floor, 17 Hill Road, Bandra (W), Mumbai – 400 050
Mr. Rakesh Kumar	9A/80, Green View Apartments, Mayapuri Road, New Delhi - 110 064
Mr. N. R. Narayana Murthy	575, 21 st Main, 35 th Cross, Jayanagar 4 th Block, Bangalore - 560 041

Please note that any correspondence to the directors must be addressed to the office address of the directors at Videsh Sanchar Bhavan, Mahatma Gandhi Road, Mumbai 400 001, India. Of the above directors, Mr. R. N. Tata, Mr. S.K. Gupta and Mr. N. Srinath are the representatives of the Panatone and were appointed on the Board of Directors of VSNL on February 13, 2002. Mr. R. N. Tata is the Non-Executive Chairman and Mr. S.K. Gupta is the Managing Director of VSNL.

The following is a summary of the audited financial information of VSNL for the last three years and unaudited financial information for the nine months ended December 31, 2001. The summary financial information below is based on VSNL's Indian GAAP financial statements which have been audited as at and for the years ended March 31, 1999, 2000 and 2001 by Khandelwal Jain & Co., Chartered Accountants, and Kalyaniwalla and Mistry, Chartered Accountants, in accordance with auditing standards generally accepted in India. As a reporting company under the U.S. Securities and Exchange Act of 1934, as amended, VSNL prepares financial statements in accordance with US GAAP that have been audited in accordance with auditing standards generally accepted in the United States by Deloitte Haskins & Sells, Chartered Accountants, and such financial statements are filed with the SEC on a regular basis.

Summary of Profit and Loss Data

	Financial Year ended March 31,			Nine Months ended
	1999	2000	2001	December 31, 2001
	Rs. in millions			
Revenue from operations	68,314.7	69,676.0	72,975.1	48,623.0
Other Revenue	3,441.0	2,629.1	6,684.2	4,508.0
Total revenue	71,755.7	72,305.1	79,659.3	53,131.0
Total Expenditure	51,301.3	51,931.9	53,801.0	36,257.0
PBDIT	20,454.4	20,373.2	25,858.3	16,874.0
Depreciation	799.1	934.5	1,162.0	965.0
Interest	0.2	11.5	0.9	-
Profit Before Tax	19,655.0	19,427.3	24,695.4	15,909.0
Extraordinary Items	511.5	4,649.2	-980.2	-60.0
Provision for Tax	5,894.0	6,375.3	7,887.3	5,057.0
Profit After Tax	13249.5	8,402.8	17,788.3	10,912.0

Summary of Balance Sheet Data:

	For the year ended March 31,		
	1999	2000	2001*
	Rs. in millions		
Shareholders' Equity and Loans			
Paid-up share capital	950.0	950.0	2,850.0
Reserves and Surplus (excluding revaluation reserves)	53,255.6	60,792.2	63,037.4
<i>Net Worth</i>	<i>54,205.6</i>	<i>61,742.2</i>	<i>65,887.4</i>
Secured Loans	25.5	45.7	-
Unsecured Loans	-	-	-
<i>Total Loans</i>	<i>25.5</i>	<i>45.7</i>	<i>-</i>
Total Shareholders' Equity and Loans	54,231.1	61,787.9	65,887.4
Net Assets			
Net Fixed Assets	17,758.5	19,971.2	24,129.9
Investments	5,745.0	1,158.2	1,106.5
Net Current Assets	30,727.6	40,658.5	40,651.0
Total miscellaneous expenditure not written off	-	-	-
Total Net Assets	54,231.1	61,787.9	65,887.4

Other Financial Data

	Financial Year		
	1999	2000	2001
Earnings Per Share (Rs.)	139.47	88.45	62.42
Dividend Per Share (Rs.)	8	8	50*
Return on Net Worth (%)	24.4%	13.6%	27.0%
Book Value Per Share (Rs.)	570.58	649.92	231.18

* Including ordinary dividend of Rs. 10 per share and one-time special dividend of Rs. 40 per share. VSNL has since also paid special interim dividend of Rs. 75 per share

VSNL has complied with all applicable provisions of the listing agreement entered into with the stock exchanges and no punitive action has been initiated by any of the stock exchanges against it.

The equity shareholding in VSNL before the Offer and after the Offer (assuming full acceptance of the Offer) is given in the table below¹:

	As on February 22, 2002		Acceptances during the Offer (Assuming Full Acceptance)		Shareholding/Voting Rights after acquisition and Offer	
	(A)		(B)		(C) = (A) + (B)	
	Number of Shares	%	Number of Shares	%	Number of Shares	%
Promoter Holding						
The Government of India ⁽³⁾	74,484,385	26.13%			74,484,385	26.13%
Acquirer	71,250,000	25.00%	57,000,000	20.00%	128,250,000	45.00%
Sub-total	145,734,385	51.13%	57,000,000	20.00%	202,734,385	71.13%
Non-Promoter holding						
Institutional Investors:						
Mutual Funds and UTI	3,703,897	1.30%	} (57,000,000) (20.00%) }	} (20.00%) }	} 82,265,615	} 28.87%
Banks/ FIs, Insurance Cos.	16,124,949	5.66%				
ADRs ⁽⁴⁾	65,999,502	23.16%				
Foreign Institutional Investors/ Non-Indian Banks	22,339,252	7.84%				
Private Corporate Bodies	5,203,742	1.83%				
Indian Public	18,675,419	6.55%				
Non-Resident Indians/ Overseas Corporate Bodies	7,207,040	2.53%				
Other (NSDL in Transit)	11,814	0.00%				
Sub-total	139,265,615	48.87%	(57,000,000)	(20.00%)	82,265,615	28.87%
Grand Total	285,000,000	100.00%			285,000,000	100.00%

1. The above figures are based on information provided by VSNL, except holdings of Panatone and the Persons Acting in Concert, which have been provided by Panatone.
2. Number of shareholders in Public category on February 22, 2002 is 95,678
3. The Government of India did not file its shareholding related disclosures under the Regulations on time.
4. Each ADS represents 2 Equity Shares.

During the two years before the date of this Offer, there have been no transactions between Panatone, the Persons Acting in Concert, their subsidiaries or, to the best knowledge of Panatone and the Persons Acting in Concert, any of their directors or executive officers, on the one hand, and VSNL or any of its executive officers, directors or affiliates, on the other hand, that would require reporting under the U.S. Securities and Exchange Act of 1934, as amended, or and the rules and regulations promulgated thereunder. During the two years before the date of this Offer, there have been no contracts, negotiations or transactions between Panatone, the Persons Acting in Concert, their subsidiaries or, to the best knowledge of Panatone and the Persons Acting in Concert, any of their directors or executive officers, on the one hand, and VSNL or any of its subsidiaries or affiliates, on the other hand, concerning a merger, consolidation or acquisition, a tender offer or other acquisition of securities, an election of directors or a sale or other transfer of a material amount of assets.

5. CURRENT SHAREHOLDING OF PANATONE AND PERSONS ACTING IN CONCERT

Panatone currently holds 71,250,000 Equity Shares representing 25% of the paid up and voting equity share capital of VSNL. Up to 57,000,000 Equity Shares, including Equity Shares underlying the ADSs, to be tendered and accepted under the Offer, representing up to 20% of the paid-up and voting capital of VSNL, will be acquired through Panatone, subject to terms and conditions set out herein.

To the best knowledge of Panatone and the Persons Acting in Concert, as of date, none of the directors and executive officers of Panatone and the Persons Acting in Concert hold Equity Shares, except the following:

Name	Position	Number of Shares held
DIRECTORS		
Mr. N. A. Soonawala	Director, Tata Sons; Director, Tata Industries	1,500
Mr. J.K.Setna with Mrs. Fareeda Setna	Director, Tata Sons	2,000
Dr. F.A. Mehta with Mrs. Ketii Mehta	Director, Tata Sons; Director, Tata Industries	3,100
Dr. H. S. Vachha with Mr. Dali Gandhi	Director, Tata Power	150
Mr. S. Ramakrishnan	Director, Tata Industries	300

6. OFFER PRICE / PRICE RANGE OF EQUITY SHARES AND ADS

The Equity Shares are listed on the Stock Exchange, Mumbai, the National Stock Exchange of India Ltd., Delhi Stock Exchange, Calcutta Stock Exchange and Chennai Stock Exchange and are frequently traded within the meaning of Regulation 20 of the Regulations on the Stock Exchange, Mumbai, and the National Stock Exchange of India Ltd.. The details of trading volumes on all the above stock exchanges are provided below:

	<u>Total shares traded during the six calendar months prior to February 1, 2002</u>	<u>Total No. of listed shares</u>	<u>Annualised trading turnover as a % of total number of listed shares</u>
National	54,952,878	285,000,000	38.6%
Mumbai	35,980,454	285,000,000	25.2%
Calcutta	287,654	285,000,000	0.20%
Delhi	17,236	285,000,000	0.01%
Chennai	Nil	285,000,000	Nil

Source: Official data obtained from the stock exchanges.

As the annualised trading turnover on the Stock Exchange, Mumbai, and the National Stock Exchange of India Ltd. is more than 2% of the total number of listed shares, the Equity Shares are deemed to be frequently traded on these exchanges as per the explanation to Regulation 20(3) of the Regulations, with the National Stock Exchange of India Ltd. being the exchange where the Equity Shares are most frequently traded. The Equity Shares are infrequently traded within the meaning of Regulation 20(3) of the Regulations on the other exchanges. As per Regulation 20(3A), "in case of disinvestment of a Public Sector Undertaking whose shares are infrequently traded, the minimum offer price shall be the price paid by the successful bidder to Central Government".

The weekly high and low of the closing prices of the Equity Shares on the National Stock Exchange of India Ltd. during the 26-week period ending January 31, 2002 (being the last trading day prior to the date of opening of financial bids by the Government of India), are given below:

<u>S. No.</u>	<u>Week Ending</u>	<u>High (Rs.)</u>	<u>Low (Rs.)</u>	<u>Average (Rs.)</u>
1	9-Aug-01	290.35	274.85	282.60
2	16-Aug-01	279.85	277.90	278.88
3	23-Aug-01	273.40	263.85	268.63
4	30-Aug-01	289.30	275.30	282.30
5	6-Sep-01	282.70	251.90	267.30
6	13-Sep-01	206.45	194.85	200.65
7	20-Sep-01	183.55	162.95	173.25
8	27-Sep-01	196.70	183.15	189.93
9	4-Oct-01	212.50	210.25	211.38
10	11-Oct-01	221.15	212.90	217.03
11	18-Oct-01	223.90	218.35	221.13
12	25-Oct-01	237.20	223.95	230.58
13	1-Nov-01	244.80	226.40	235.60
14	8-Nov-01	253.85	245.90	249.88
15	15-Nov-01	254.75	221.45	238.10
16	22-Nov-01	232.10	214.30	223.20
17	29-Nov-01	234.35	227.10	230.73
18	6-Dec-01	237.70	227.25	232.48
19	13-Dec-01	239.65	228.70	234.18
20	20-Dec-01	239.30	206.35	222.83
21	27-Dec-01	209.50	207.10	208.30
22	3-Jan-02	219.40	206.00	212.70
23	10-Jan-02	223.15	212.00	217.58
24	17-Jan-02	222.20	214.65	218.43
25	24-Jan-02	141.85	137.05	139.45
26	31-Jan-02	158.10	135.75	146.93

VSNL has paid a Special Dividend of Rs. 40 (US\$0.82) and an Ordinary Dividend of Rs. 10 (US\$0.21) and a Special Interim Dividend of Rs. 75 (US\$1.54) per Equity Share, the ex-dividend trading for which commenced from September 5, 2001 (for Rs. 50 (US\$1.03)) and January 17, 2002 (for Rs. 75 (US\$1.54)) respectively on the National Stock Exchange of India Ltd.. Hence the daily high and low prices

above have been suitably adjusted in terms of Explanation 1 to Regulations 20 to reflect these dividends. The averages for the three periods are as follows:

<u>Period</u>	<u>Weeks ending</u>	<u>Average (Rs.)</u>	<u>Adjusted Average (Rs.)</u>	<u>Number of Weeks</u>
I	September 6, 2001	275.94	275.94	5
II	January 17, 2002	219.36	269.36(219.36+50)	19
III	January 31, 2002	143.19	268.19(143.19+125)	2
	Weighted Average		270.54	
	Average Market Price		145.54	

Note: Prices for September 5 and September 6, 2001, (part of Period I) which fall after the ex-dividend date for the Rs. 50 dividend are adjusted for the purpose of the calculation by adding Rs. 50.

Price for January 17, 2002 (part of Period II) which is the date of commencement of trading on ex-dividend basis for the Rs. 75 dividend is adjusted by adding Rs. 75.

The Offer Price of Rs. 202 (US\$4.15) per share is justified in accordance with clause 20(2) of the Regulations being the highest of the prices as mentioned below:

- The price paid for the acquisition of the GOI Shares as per the Share Purchase Agreement entered into on February 6, 2002 is Rs. 202 (US\$4.15) per share.
- In the 26 weeks preceding January 31, 2002, neither Panatone nor the Persons Acting in Concert have acquired any Equity Share by way of allotment in a public or rights issue.
- There was no preferential allotment of Equity Shares made during the last 12 months either to Panatone or to the Persons Acting in Concert.
- The 26-week average of the weekly high and low of adjusted closing prices for the Equity Shares on the National Stock Exchange of India Ltd., the exchange where the Equity Shares are most frequently traded, as tabulated above, is Rs. 145.54 (US\$2.99).
- Dr. F.A. Mehta, a director of Tata Sons and Tata Industries, purchased 900 Equity Shares at a price of Rs. 219.17 (US\$4.50) per share (adjusted price: Rs. 144.17 (US\$2.96)*) on December 19, 2001.
- Mr. P. D. Karkaria, a director of Panatone, purchased 400 Equity Shares at a price of Rs.278 (US\$5.70) per share (adjusted price: Rs.153 (US\$3.14)*) on August 13, 2001. These Equity Shares have been subsequently sold by Mr. Karkaria and he did not hold any Equity Shares as on the date of Public Announcement.
- Aftaab Investment Company Limited ("Aftaab"), a subsidiary of Tata Power, acquired 3,000 Equity Shares in the open market during the above 26 week period and details of which are as follows:

<u>Date</u>	<u>Number of Shares**</u>	<u>Actual price of acquisition</u>	<u>Adjusted Price*</u>
August 16, 2001	1,000	Rs. 283.52 (US\$5.82)	Rs. 158.52 (US\$3.25)
September 12, 2001	2,000	Rs. 198.59 (US\$4.08)	Rs. 123.59 (US\$2.54)
Highest Price		Rs. 283.52 (US\$5.82)	Rs. 158.52 (US\$3.25)
Average Price		Rs. 226.90 (US\$4.66)	Rs. 135.23 (US\$2.78)

These Equity Shares have been subsequently sold by Aftaab.

- Tata Investment Corporation Limited ("Tata Investment"), a Tata Group company acquired 5,000 in the open market during the above 26-week period and details of which are as follows:

<u>Date</u>	<u>Number of Shares**</u>	<u>Actual price of acquisition</u>	<u>Adjusted Price*</u>
August 20, 2001	5,000	Rs. 270.23 (US\$5.55)	Rs. 145.23 (US\$2.98)

*Adjusted in terms of the Regulations for the dividend paid by VSNL.

**These Equity Shares were acquired prior to the date of payment of dividends of 500% and 750%

Other than the GOI Shares, neither Panatone nor the Persons Acting in Concert have acquired or shall acquire, during the period commencing from the date of the Public Announcement up to the closure of the Offer, any Equity Shares except in compliance with the Regulations and the details of such acquisitions shall be disclosed to the stock exchanges and to the Manager to the Offer within 24 hours thereof in terms of Regulation 22(17). No acquisition will be made by Panatone or the Persons Acting in Concert in the open market during the last seven working days prior to the Offer Closing Date (i.e. after April 29, 2002). If Panatone or the Persons Acting in Concert acquire Equity Shares in the open market or through negotiation or otherwise after the date of the Public Announcement at a price higher than the Offer Price, then the highest price paid for such acquisition shall be payable for all acceptances received under the Offer.

Price Range of Equity Shares and ADSs

The table below sets forth, for the periods indicated, the high and low closing trading prices for the Equity Shares on the National Stock Exchange of India Ltd. and the Stock Exchange, Mumbai, and for the ADSs on the New York Stock Exchange prior to March 26, 2002:

Period	The National Stock Exchange of India Ltd.		The Stock Exchange Mumbai	
	High (Rs.)	Low (Rs.)	High (Rs.)	Low (Rs.)
2000				
First Quarter	3152.15	1621.40	3071.90	1618.00
Second Quarter	1914.85	858.40	1936.50	859.95
Third Quarter	1230.00	676.35	1199.35	675.40
Fourth Quarter	761.35	209.45	757.45	201.45
2001				
First Quarter	399.15	286.40	399.40	285.55
Second Quarter	392.15	283.50	393.25	283.00
Third Quarter	329.50	162.95	330.70	162.85
Fourth Quarter	254.75	206.00	254.85	205.70
2002				
First Quarter (to March 26, 2002)	223.15	135.75	223.15	135.75

Period	New York Stock Exchange	
	High (USD)	Low (USD)
2000		
August 15 to September 30, 2000	9.45	5.71
Fourth Quarter	8.19	5.13
2001		
First Quarter	8.69	6.34
Second Quarter	8.21	6.18
Third Quarter	7.35	4.75
Fourth Quarter	6.70	5.28
2002		
First Quarter (to March 26, 2002)	7.42	5.42

Source: Bloomberg

On February 4, 2002, the last full trading day before the announcement by the Government of India of Panatone as the successful bidder, the reported closing price per Equity Share on the National Stock Exchange of India Ltd. and the Stock Exchange, Mumbai, were Rs. 168.75 and Rs. 167.85, respectively, and the reported closing price per ADS on the New York Stock Exchange was US\$ 7.18. On March 26, 2002, the last full trading day before the date of this Letter of Offer, the reported closing price per Equity Share on the National Stock Exchange of India Ltd. and the Stock Exchange, Mumbai, was Rs. 182.60 and Rs. 182.25, respectively, and the reported closing price per ADS on the New York Stock Exchange was US\$ 7.35. **You should obtain current market quotations for the Equity Shares and the ADSs in deciding whether to tender your Equity Shares or ADSs.**

7. TERMS CONCERNING SURPLUS LAND AND PANATONE OBLIGATIONS

- i. As referred to in Paragraph 1.2(d), Panatone is required to facilitate the establishment of a realty undertaking in VSNL to enable VSNL to progress with a demerger of such undertaking with the Surplus Land to a Resulting Company established with a similar object and purpose.

In order to fulfil the conditions of the Share Purchase Agreement and the Shareholders' Agreement, Panatone proposes that after the demerger is undertaken and sanctioned by an appropriate Court, under the provisions of the Companies Act, 1956, the shares of the Resulting Company, as allotted to Panatone, will be gifted, sold or transferred, as the case may be, without further consideration to:

- the Government of India, to the extent of 25% of the Resulting Company's issued shares (or such higher number of shares of the Resulting Company, which may be on account of any further sale of Equity Shares by the Government of India to Panatone, prior to the demerger.)
 - the shareholders of VSNL who tendered Equity Shares, including Equity Shares underlying the ADSs, to Panatone pursuant to this Offer, to the extent their tender is accepted by Panatone, but not exceeding the maximum extent of 20% of the total issued capital of the Resulting Company.
- ii. In the event that the demerger of the realty undertaking of VSNL as referred hereinabove is not approved or sanctioned by an

appropriate Court under the Companies Act, 1956, or fails for any reason whatsoever, then but only if VSNL sells or transfers the Surplus Land or agrees to sell or transfer or otherwise develops the Surplus Land identified in the Schedule to the Shareholders' Agreement, Panatone shall pay to the Government of India and to those shareholders of VSNL who tendered their Equity Shares, including Equity Shares underlying the ADSs, to Panatone, to the extent of their tender is accepted by Panatone within 7 days of the sale or transfer of whole or part of the Surplus Land an amount equivalent to:

- a) 25% of the benefit accruing to VSNL, to the Government of India.
- b) prorata benefit accruing to VSNL to the tendering shareholders, to the extent their tender is accepted by Panatone in this Offer; pursuant to such sale or transfer or otherwise development of the Surplus Land by VSNL after taking into account any impact of taxes under the Income-tax Act, 1961.

Such amount payable shall be determined by the Appraiser as defined in the Shareholders' Agreement.

The tax implications of any rights accruing to shareholders, including ADS holders, participating in the Offer will depend on the method of treatment of land, and tax laws in operation at relevant time. The amount of 25% referred above, as payable to the Government of India, shall stand augmented to an additional proportion if any additional Equity Shares are purchased by Panatone from the Government of India prior to the sale or transfer or otherwise development of the Surplus Land.

The rights proposed for the tendering shareholders as provided by Panatone in this Paragraph 7 shall be co-extensive with the similar rights of the Government of India under the Shareholders' Agreement and shall lapse simultaneously with similar rights of the Government of India.

The demerger or payment to tendering shareholders described in this Paragraph 7 may result in adverse Indian tax consequences for tendering shareholders at the time of the demerger or payment. In addition, U.S. shareholders and ADS holders should see paragraph 11 below for the U.S. federal income tax consequences of such demerger or payment.

8. FINANCIAL ARRANGEMENT FOR THE OFFER

In accordance with the provisions of Regulation 28 of the Regulations, Panatone has created an Escrow Account, as partial security for its obligation to accept and pay for tendered shares, in the form of a Bank Guarantee of Rs.1,301.4 million (US\$26.7 million) issued by Citibank that is valid up to June 30, 2002 in favour of the Manager to the Offer. The Manager to the Offer has been authorised by Panatone to draw down funds under the bank guarantee, in accordance with the Regulations, to satisfy Panatone's payment obligations under the Offer.

Panatone has also made a cash deposit of Rs 115.5 million (US\$ 2.4 million) (being an amount exceeding 1% of the purchase consideration payable under this Offer) in the Escrow Account with Citibank with a lien marked in favour of the Manager to the Offer.

Deutsche Bank have certified by their letter dated March 18, 2002 that Panatone, Tata Sons and Tata Power have adequate financial resources for payment of consideration to the shareholders of VSNL whose shares are acquired pursuant to this Offer. The Manager to the Offer confirms that firm arrangements for funds and money for payment through verifiable means are in place to fulfil Panatone's Offer obligations.

The maximum purchase consideration of 57,000,000 Equity Shares payable by Panatone in the case of full acceptance of the Offer would be Rs. 11,514 million (US\$ 236 million).

Panatone is expected to fund up to Rs. 5,250 million (US\$ 108 million) of the consideration payable for Equity Shares tendered to it in the Offer from the proceeds of an issue of zero-coupon non-convertible debentures to Deutsche Bank and to fund the balance of the consideration from the proceeds of additional equity investments, and/or unsecured short-term inter-company loans from Tata Sons and/or Tata Power.

The zero-coupon non-convertible debentures to be issued to Deutsche Bank will be of the same series, and have the same terms and conditions, as the zero-coupon non-convertible debentures issued to Deutsche Bank in connection with the Refinancing (please see Paragraph 3.1 for a discussion of the Refinancing). They will, together with the debentures issued in connection with the Refinancing, be secured by (i) a pledge of the GOI Shares and the Equity Shares to be acquired in the Offer, (ii) guarantees by Tata Sons and Tata Power, and (iii) mortgages on certain real property to be acquired by Panatone. Please see Paragraph 3.1 for further discussion of the terms and conditions of the debentures and Paragraph 1.2 (h) for a summary description of the pledge of the Equity Shares securing the debentures. The debentures to be issued in connection with the Offer will be issued at a price equal to 90.625% of their principal amount. The debentures will have a maturity date one year from the date of issuance. As of the date of this Letter of Offer, no plans or arrangements have been made as to the refinancing or source of repayment of the debentures at their maturity.

Funding for the remaining portion of the purchase consideration payable by Panatone for Equity Shares tendered in the Offer will be provided by the proceeds of additional equity investments in Panatone and/or unsecured inter-company loans to be made to Panatone, by Tata Sons and/or Tata Power. No determination has been made at this time as to the relative proportions of funding to be provided by means of such investments, advances and/or loans. Tata Sons and Tata Power expect to fund any such short-term loans or equity investments in Panatone from working capital.

Any loans made to Panatone by Tata Sons or Tata Power in connection with the Offer will bear a market rate of interest (expected to range between approximately 8% to 12% depending on prevailing market rates at the time of funding), will be unsecured, and will have a maturity of up to one year (and be subject to renewal at the option of the lender).

Any additional equity investments by Tata Sons or Tata Power in Panatone in connection with the Offer will be made by the subscription for ordinary or preference shares for cash, at a subscription price equal to the relevant value of the securities purchased.

9. TERMS AND CONDITIONS OF THE OFFER

- a) The Offer is being made in accordance with the provisions of Regulation 10 and Regulation 12 of the Regulations.
- b) Each Eligible Person may participate in the Offer by tendering all or some of its Equity Shares and / or ADSs in accordance with the procedure set forth in Paragraph 10. Notwithstanding the above, the Government of India has transferred some Equity Shares in VSNL to employees of VSNL in May 1999 and February 2002, which are subject to lock-in till May 12, 2002 and February 21, 2003 respectively. SEBI has directed that as these Equity Shares are subject to lock-in and since the terms of transfer of such shares to employees were different from the other Shares the employees who hold such locked-in Equity Shares would not be eligible to participate in the Offer.
- c) Of the total paid-up shares of VSNL, any Equity Shares that are held in abeyance due to pending court cases and/or are the subject matter of litigation wherein the shareholder(s) may be precluded from transferring the Equity Shares during the pendency of such litigation are liable to be rejected in case directions or orders regarding these Equity Shares are not received together with the Equity Shares tendered under the Offer. The Letter of Offer in some of these cases, wherever possible, would be forwarded to the concerned statutory authorities for further action at their end.
- d) The Offer will open on Wednesday, April 10, 2002, and close at 5.00 p.m. Indian standard time and 6.30 a.m., New York City time on Thursday, May 9, 2002. The Offer cannot be extended at the option of Panatone and the Persons Acting in Concert.
- e) Accidental omission to dispatch this Letter of Offer or any further communication to any person to whom this Letter of Offer is made or the non-receipt of this Letter of Offer by any such person shall not invalidate the Offer in any way.
- f) The instructions, authorisations and provisions contained in the Form of Acceptance constitute an integral part of the terms of this Offer.
- g) The acceptance of the Offer must be unconditional and should be made in accordance with the procedures set forth in Paragraph 10 on or before Thursday, May 9, 2002. If any change or modification is made in the Form of Acceptance, the same is liable to be rejected.
- h) If Equity Shares and ADSs representing in the aggregate more than 57,000,000 Equity Shares are validly tendered by the Offer Closing Date and not withdrawn, Panatone will, upon the terms and subject to the conditions of the Offer, purchase such Equity Shares and Equity Shares underlying the ADSs, on a pro rata basis according to the number of Equity Shares and ADSs validly tendered by the Offer Closing Date and not withdrawn. If proration of tendered Equity Shares, including Equity Shares underlying the ADSs, is required, Equity Shares will be purchased only in multiples of two Equity Shares (a "Share Multiple"). Proration for each holder of Equity Shares will be based on the ratio that the number of Share Multiples tendered by such holder bears to the sum of the number of Share Multiples tendered by all tendering holders of Equity Shares plus the number of ADSs tendered by all tendering holders of ADSs. Proration for each holder of ADSs will be based on the ratio that the number of ADSs tendered by such holder bears to the sum of the number of Share Multiples tendered by all tendering holders of Equity Shares plus the number of ADSs tendered by all tendering holders of ADSs. If not more than 57,000,000 Equity Shares (including Equity Shares represented by ADSs) are validly tendered by the Offer Closing Date, Panatone will, upon the terms and subject to the conditions of the Offer, purchase all Equity Shares and/or Equity Shares underlying the ADSs so tendered.

If proration of tendered Equity Shares and/or ADSs is required, because of the difficulty of determining the number of Equity Shares and ADSs validly tendered and not withdrawn, Panatone does not expect to be able to announce the final results of such proration until at least ten business days after the Offer Closing Date. Preliminary results of such proration will be announced by press release as promptly as practicable after such date. Holders of Equity Shares and ADSs may obtain such preliminary information from the Registrar to the Offer or ADS Tender Agent, as applicable, and may be able to obtain such information from their brokers.

- i) In all cases, payment for Equity Shares tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the Registrar to the Offer of (i) certificates evidencing Equity Shares, together with duly executed transfer deeds or demat credit of Equity Shares in electronic form to the Registrar to the Offer's Depository Escrow Account; (ii) the Form of Acceptance-cum-Acknowledgement properly completed and duly executed; and (iii) any other documents required by this Letter of Offer and the Form of Acceptance-cum-Acknowledgement .

In all cases, payment for ADSs tendered and accepted for payment pursuant to the Offer will be made only after timely receipt by the ADS Tender Agent of (i) ADRs evidencing such ADSs or timely confirmation of a book-entry transfer of such ADSs into the Tender Agent Account (as defined in Paragraph 10) pursuant to the procedures set forth in Paragraph 10; (ii) the Letter of Transmittal (or a copy thereof), properly completed and duly executed, or, in the case of a book-entry transfer, an Agent's Message (as defined in Paragraph 10); and (iii) any other documents required by the Letter of Transmittal.

- j) Barring unforeseen circumstances and factors beyond their control, Panatone intends to complete all formalities pertaining to the purchase of Equity Shares, including dispatch of payment of consideration for the Equity Shares and ADSs accepted in the Offer, by Saturday, June 8, 2002.
- k) Panatone will be required to withhold tax based on the entire gross proceeds payable to tendering non-Indian shareholders unless the Indian tax authorities deliver a No Objection Certificate/Tax Clearance Certificate with respect to payments made to a non-Indian shareholder or ADS holder. If such a Certificate is delivered, withholding will only be required with respect to any gain as described in Paragraph 11 below. In the event such No Objection Certificate/Tax Clearance Certificate is not obtained from the Indian tax authorities Panatone will be required to withhold tax at the maximum marginal rate applicable to the ADS Tender Agent or the category of tendering shareholder, as the case may be, on the gross proceeds otherwise payable rather than on any gain as described in Paragraph 11 below.

No assurances can be given that a non-Indian shareholder or ADS holder will be able to obtain a No Objection Certificate/Tax Clearance Certificate from the Indian tax authorities nor, if such Certificate is obtained, what the amount of required withholding indicated on such Certificate will be. As a result, Panatone may be required to withhold at the maximum marginal rate as may be applicable to the ADS Tender Agent or the category of shareholder

on the gross proceeds payable to the ADS Tender Agent or such shareholder. Moreover neither Panatone nor the ADS Tender Agent assumes any obligation to assist non-Indian shareholders or ADS holders in obtaining a No Objection Certification / Tax Clearance Certificate from the Indian tax authorities.

Shareholders (including ADS holders) can claim refunds of excess tax withheld by filing a return of income on Form 1 and Form 2D for corporate and non-corporate assesseees respectively, under Indian Income Tax Act, 1961 before October 31, 2003 and June 30, 2003 for corporates and non-corporates respectively, together with the withholding tax certificate issued by Panatone. **No assurances can be given that such a refund will be obtained even if a shareholder or ADS holder is eligible for a refund and Panatone assumes no obligation to assist a shareholder or ADS holder in obtaining any refund.**

- l) The acceptance of Share and Equity Shares underlying the ADSs received from Non-Resident Indians, Overseas Corporate Bodies, Foreign Institutional Investors and non-Indian shareholders is subject to requisite permission being obtained from the Reserve Bank of India under the Indian Foreign Exchange Management Act, 1999, for which necessary application would be made by Panatone to the Reserve Bank of India.
- m) As of date, to the best knowledge of Panatone and the Persons Acting in Concert, there are no other statutory approvals required to implement the Offer other than those indicated in this Letter of Offer. If any other statutory approvals become applicable prior to the completion of the Offer, the Offer would be subject to such statutory approvals. Panatone and the Persons Acting in Concert will not proceed with the Offer in the event that such statutory approvals are not obtained.
- n) In case of delay in receipt of statutory approvals, SEBI has power to grant extension of time for the purpose of making payment subject to Panatone agreeing to pay interest to the shareholders for delay beyond 30 days from the closure of the Offer, i.e. June 8, 2002. Where Panatone fails to obtain the requisite statutory approvals in time on account of willful default or neglect or non-action on its part, the amount lying in the Escrow Account shall be forfeited and dealt with in the manner provided in clause 12(e) of Regulation 28, apart from Panatone being liable for penalty as provided in the Regulations.
- o) If Panatone is unable to make despatch of the payment to the shareholders within 30 days from the closure of the Offer (i.e. by June 8, 2002), due to non-receipt of requisite statutory approval(s), then Regulation 22(12) of the Takeover Regulations, as applicable, will be adhered to. In case approval from the Reserve Bank of India for the acquisition of Equity Shares, from non-resident shareholders is unduly delayed, Panatone reserves the right to proceed with payment to the other shareholders whose Equity Shares have been accepted by Panatone in terms of this Offer, in respect of whom no approval of Reserve Bank of India is required to be obtained, pending payment to the non-resident shareholders, subject to the entire amount payable to non-resident shareholders being kept in an Escrow Account whose value can be realised by the Manager as per the Regulations.
- p) The acceptance of the Offer made by Panatone is entirely at the discretion of the shareholders of VSNL. Panatone will not be responsible in any manner for any loss of share certificate(s) representing Equity Shares, ADRs evidencing the ADSs and Form of Acceptance during transit. Shareholders of VSNL are advised to adequately safeguard their interest in this regard.
- q) As already mentioned elsewhere in this Letter of Offer, the Offer is not subject to any minimum level of acceptance from shareholders of VSNL. Thus, Panatone will proceed with the Offer even if it is unable to obtain acceptance to the full extent of the Equity Shares, including Equity Shares underlying the ADSs, for which this Offer is made.
- r) Equity Shares that are subject to any charge, lien or encumbrance are liable to be rejected.
- s) Panatone reserves the right of upward revision of price at any time up to seven working days prior to the closure of the Offer, (i.e. April 29, 2002) as per Regulation 26 of the Regulations. The same price would be paid by Panatone for all the Equity Shares tendered any time during the Open Offer. The information about such revision(s) if any, would appear in the same newspapers in which the Public Announcement had appeared.
- t) Shareholders who accept the Offer by tendering the requisite documentation in terms of this Letter of Offer and the Public Announcement cannot withdraw the same (other than ADS holders, who may withdraw).

10 PROCEDURE FOR ACCEPTANCE AND SETTLEMENT

- a) **Holders of Equity Shares.** Holders of Equity Shares who wish to avail this Offer should forward the under mentioned documents by hand delivery or by registered post to the Registrar to the Offer at their office at Tata Share Registry Limited, Army and Navy Building, 148, M.G. Road, Fort, Mumbai 400 001 (Tel: (+91 22) 287 3831, Fax: (+91 22) 284 4160, Email: csg-unit@tatashare.com, Contact Person: Ms. S.R. Billimoria), or by hand delivery only at the collection centres given below so as to reach the Registrar to the Offer on or before May 9, 2002 (Offer Closing Date) on their working days during business hours indicated in Paragraph 10(f) below. In the case of demat Equity Shares, the Registrar to the Offer is not bound to accept those offers which have not yet been credited to the Escrow Depository Participant as on the Offer Closing Date (i.e. Thursday, May 9, 2002). **NO DOCUMENTS FOR TENDERING THE EQUITY SHARES SHOULD BE SENT TO PANATONE, THE PERSONS ACTING IN CONCERT OR THE MANAGER TO THE OFFER.**

For Equity Shares Held in Physical Form

Valid Tender of Equity Shares. In order to validly tender such Equity Shares in the Offer, the following documents must be received by the Registrar to the Offer no later than 5:00 p.m., Indian standard time, on the Offer Closing Date: (1) Form of Acceptance, duly completed and signed in accordance with the instructions contained therein by sole/all shareholders whose names appear on the share certificates (in case of joint holdings) in the same order in which their names appear in the Register of Members; (2) a copy of the No Objection Certificate/Tax Clearance Certificate if obtained from the Indian tax authorities by the shareholder; (3) original share certificate(s); and (4) valid Transfer Deed(s) duly signed as transferors by all shareholders (in case of joint holdings) in the same order and as per specimen signatures lodged with VSNL, witnessed and duly attested at the appropriate place by a notary or bank manager or member of stock exchange under their seal of office and membership number. In each case, the name and address of the attesting authority, attesting authority's seal and registration number (if the authority is a notary public/member of stock exchange) or the name and address of the bank (if the authority is a bank manager) should appear in the Transfer Deed. Further, all attestations should be unconditional i.e. the authority attesting should not deny the responsibility of identifying the person and the signature by

qualifying the attestation. If the said guidelines are not followed, Panatone reserves the right to reject the Transfer Deed along with the application. The Transfer Deed should be duly filled, signed by the registered holder(s), witnessed and drawn in favour of "Panatone Finvest Limited" or the buyer details may be left blank.

Acceptance Procedure. Equity Shares delivered by tendering shareholders in this manner would be held in trust by the Registrar to the Offer till the time when payment for the same is made by Panatone and Panatone would have no access to these Equity Shares till that time.

Return of Unaccepted Equity Shares. In the event of acceptance on proportionate basis or in case where acceptances are rejected, the unaccepted/rejected share certificates, transfer deeds and other documents, if any, will be returned by registered post by the Registrar to the Offer to the shareholder/unregistered owners at the shareholder's or unregistered owner's own risk. Except that, in case the share certificates tendered have to be split, Panatone will arrange to split the share certificates and send the balance share certificates (for Equity Shares not accepted in the Offer) directly to the shareholders within the time limit prescribed under Section 113 of the Indian Companies Act, 1956.

For Equity Shares held in demat form

Valid Tender of Equity Shares. In order to validly tender such Equity Shares in the Offer, the following documents must be received by the Registrar to the Offer no later than 5:00 p.m., Indian standard time, on the Offer Closing Date: (1) Form of Acceptance duly completed and signed in accordance with the instructions contained therein by sole/all shareholders whose names appear (in case of joint holdings) in the same order in which their names appear in their beneficiary account; (2) a copy of the No Objection Certificate/Tax Clearance Certificate if obtained from the Indian tax authorities by the Shareholder; and (3) a photocopy of the Delivery Instruction duly acknowledged by the depository participant filled as per the instructions given hereunder. The Form of Acceptance has to be tendered by the beneficial holder of Equity Shares only.

Depository Escrow Account. The Registrar to the Offer has opened a Depository Account (hereinafter referred to as "Depository Escrow Account") with Central Depository Services (India) Limited ("CDSL") named as "TSRL Escrow Account – VSNL Open Offer" as per details given below:

DP Name : Citibank
Client ID Number : 1601560000000575
DP ID Number : 15600
Depository : CDSL

Acceptance Procedure. Equity Shares transferred by tendering shareholders to the Depository Escrow Account would reside in the Depository Escrow Account and be held in trust by the Registrar to the Offer till the time when payment for the same is made by Panatone and Panatone would have no access to these shares till that time. Post release of payment to shareholders and upon the receipt of instructions from the Manager to the Offer, the Registrar to the Offer will debit the Depository Escrow Account to the extent of payment of consideration made by Panatone and give instructions for credit of the beneficial account of Panatone.

Delivery Instruction. Special attention should be paid to the following:

- Beneficial owners who hold Equity Shares in demat form are required to execute an "off-market" trade by tendering the Delivery Instruction for debiting their beneficiary account with their concerned depository participant and crediting the above-mentioned account. The credit in the Depository Escrow Account should be received on or before the Offer Closing Date i.e. Thursday, May 9, 2002, else the application would be rejected.
- The Delivery Instructions to be given to the depository participant should be in "For Off Market Trade" mode only. For each Delivery Instruction the beneficial owner should submit a separate Form of Acceptance.
- Shareholders having their beneficiary account in National Securities Depository Limited ("NSDL") have also to use inter-depository delivery instruction slip for the purpose of crediting their shares in favour of the Depository Escrow Account with CDSL.

Return of Unaccepted Equity Shares. Equity Shares held in dematerialized form to the extent not accepted under the Offer will be released to the beneficial owner's depository account with the respective depository participant from where the credit was initially received in favour of the Depository Escrow Account at the sole risk of the beneficial owner. An intimation to that effect will be sent to the beneficial owner by Ordinary Post.

Special Note for Shareholders who have sent their shares for Dematerialization

Shareholders who have sent their physical shares for dematerialisation need to ensure that the process of getting shares dematerialised is completed well in time so that the credit in the Escrow Account should be received on or before the Offer Closing Date i.e. May 9, 2002, else the application would be rejected.

(b) **Holders of ADSs :** Holders of ADSs who wish to participate in this Offer should read the instructions contained in this Paragraph 10(b) carefully and follow the tendering procedures described herein.

- *Scope of the Offer.* As required by Explanation 3 of Regulation 22 of the Regulations, a copy of this Letter of Offer, together with the related ADS Letter of Transmittal, will be sent to the Custodian. As stated in Paragraph 1.1, the Offer is being extended to all shareholders of VSNL, including ADS holders, except Panatone, the Persons Acting in Concert and the Government of India. The Offer is being made in full compliance with applicable laws and regulations, including the securities laws of United States.
- *Offer Materials.* ADS holders are urged to read the following documents regarding the Offer because they contain important information:

- This Letter of Offer;
- The ADS Letter of Transmittal; and
- VSNL's Letter to Shareholders, including ADS holders.

Tendering ADSs through the ADS Tender Agent

- **Valid Tender of ADSs.** In order to validly tender ADSs pursuant to the Offer, an ADS holder must either (1) cause to be received by the ADS Tender Agent, no later than 6:30 a.m., New York City time, on the Offer Closing Date, (a) ADRs evidencing such ADSs or a confirmation of a book-entry transfer of such ADSs into the Tender Agent Account (as defined below); (b) a properly completed and duly executed ADS Letter of Transmittal (or a manually signed facsimile thereof) or, in the case of a book-entry transfer, an Agent's Message (as defined below); and (c) any other documents required by the ADS Letter of Transmittal; or (2) comply with the guaranteed delivery procedure described in the subsection "Guaranteed Delivery for ADSs" below. No alternative, conditional or contingent tenders will be accepted, and no fractional ADSs will be purchased.

The method of delivery, including delivery through the DTC (as defined below), of all documents, including ADSs, is at the election and risk of the tendering ADS holder and the delivery will be deemed made only when actually received by the ADS Tender Agent. If delivery is by mail, registered mail with return receipt requested, properly insured, is recommended. In all cases, sufficient time should be allowed to ensure timely delivery.

- **Book-Entry Delivery for ADSs.** The ADS Tender Agent has established an account with respect to the ADSs (the "Tender Agent Account") at The Depository Trust Company ("DTC") for purposes of the Offer in the United States. Any financial institution that is a participant of DTC may make delivery of ADSs by causing DTC to transfer such ADSs to the Tender Agent Account in accordance with the procedures of DTC. An Agent's Message must be utilized if delivery of ADSs is to be made by such book-entry transfer. The term "Agent's Message" means a message transmitted by means of DTC to, and received by, the ADS Tender Agent and forming a part of a book-entry confirmation which states that DTC has received an express acknowledgement from the participant tendering the ADSs which are the subject of such book-entry confirmation that such participant has received and agrees to be bound by the terms of the ADS Letter of Transmittal and that Panatone may enforce such agreement against the participant.
- **Guaranteed Delivery for ADSs.** If an ADS holder desires to tender ADSs pursuant to the Offer and such holder's ADSs are not immediately available, or such holder cannot deliver the ADSs and all other required documents to the ADS Tender Agent prior to the Offer Closing Date, or such holder cannot complete the procedure for delivery by book-entry transfer on a timely basis, such ADSs may nevertheless be tendered, provided that: (1) such tender is made by or through a firm which is a member of a recognized Medallion Program approved by the Securities Transfer Association, Inc., including the Security Transfer Agents Medallion Signature Program (STAMP), the New York Stock Exchange Medallion Program (MSP) and the Stock Exchange Medallion Program (SEMP), or by any other "eligible guarantor institution," as such term is defined in Rule 17Ad-15 under the U.S. Securities and Exchange Act of 1934, as amended; (2) a properly completed and duly executed Notice of Guaranteed Delivery or, in the case of ADSs held through DTC, a confirmation of the book-entry delivery of such notice, is received by the ADS Tender Agent no later than 6:30 a.m., New York City time, on the Offer Closing Date; and (3)(a) ADRs evidencing such ADSs or a confirmation of a book-entry transfer of such ADSs into the Tender Agent Account; (b) a properly completed and duly executed ADS Letter of Transmittal (or a manually signed facsimile thereof) or, in the case of a book-entry transfer, an Agent's Message; and (c) any other documents required by the ADS Letter of Transmittal are received by the ADS Tender Agent within three New York Stock Exchange trading days after the date of execution of such Notice of Guaranteed Delivery.
- **Withdrawal of ADSs Tendered.** ADSs tendered pursuant to the Offer may be withdrawn at any time on or prior to 6:30 a.m., New York City time, on the Offer Closing Date. For a withdrawal to be effective, a written or facsimile transmission notice of withdrawal must be received by the U.S. Depository on or prior to 6:30 a.m., New York City time, on the Offer Closing Date at its address set forth in the Letter of Transmittal, and must specify the name of the person who tendered the ADSs to be withdrawn and the number of ADSs to be withdrawn. If the ADSs to be withdrawn have been delivered to the U.S. Depository, such notice must specify the name and number of the account at the DTC to be credited with the withdrawn ADSs. Withdrawals may not be rescinded, and ADSs withdrawn will thereafter be deemed not validly tendered for purposes of the Offer. However, ADSs may be tendered into the Offer again by following the procedures described above at any time on or prior to 6:30 a.m., New York City time, on the Offer Closing Date.
- **Acceptance of ADSs.** As soon as practicable after the expiration of the Offer, the ADS Tender Agent will notify Panatone of the total number of ADSs tendered, and such number will be considered final for purposes of determining the total number of Equity Shares, including Equity Shares underlying the ADSs, tendered pursuant to the Offer. Subject to the pro rata requirements specified in paragraph 9(h), the Manager, in consultation with the Registrar, will determine the number of ADSs to be accepted by Panatone and notify the ADS Tender Agent accordingly. For purposes of the Offer, Panatone will be deemed to have accepted for payment (and thereby purchased) ADSs validly tendered and not properly withdrawn as, if and when the Manager gives oral or written notice to the ADS Tender Agent of Panatone's acceptance for payment of such ADSs pursuant to the Offer. At the request of the Manager, the ADS Tender Agent will surrender the tendered and accepted ADSs to the ADS Depository for cancellation and order the Depository to instruct the Custodian to cause the Equity Shares underlying such ADSs to be transferred to an account in the name of the ADS Tender Agent in India. Upon the receipt of payment of the purchase price for such Equity Shares by the Custodian, such Equity Shares will be transferred to Panatone's account.
- **Return of Unaccepted ADSs.** ADSs not properly tendered, ADSs validly withdrawn and ADSs not accepted for payment will be returned to the tendering ADS holders without expense to such holders. Panatone plans to return such ADSs at the time when payment for ADSs tendered and accepted is made. Under Indian law, Panatone is required to dispatch make of such payment within 30 days after the Offer Closing Date (i.e. on or before June 8, 2002) and it may take several business days before such payment can be made by the ADS Tender Agent to individual ADS holders. Accordingly, ADS holders whose ADSs are not accepted in the Offer may not exercise their ownership rights with respect to such ADSs, such as the right to sell them in the

open market, from the time when such ADSs are tendered to the time when such ADSs are returned by the ADS Tender Agent, which could be as late as June 13, 2002.

- **Payment for Accepted ADSs.** Upon the terms and subject to the conditions of the Offer, payment for ADSs accepted pursuant to the Offer will be made by deposit of the purchase price in Indian rupees to the Custodian, which will convert the amount into U.S. dollars in accordance with the procedures for the conversion of foreign currency set forth in the Deposit Agreement and transfer the amount in U.S. dollars to the ADS Tender Agent. The ADS Tender Agent will act as agent for tendering ADS holders for the purpose of (1) receiving payment in U.S. dollars from Panatone through the Custodian and (2) transmitting such payment in U.S. dollars to tendering ADS holders whose ADSs have been accepted under the ADS Tender Agent's standard procedures for distributing such payments to ADS holders. Payment by Panatone of the purchase price to the ADS Tender Agent for ADSs tendered and accepted is expected to be made on or about June 8, 2002. ADS holders are expected, in turn, to receive payment from the ADS Tender Agent for ADSs tendered and accepted on or about June 13, 2002. Notwithstanding the above, payment of ADSs may be delayed in the event of proration due to the difficulty of determining the number of Equity Shares and ADSs validly tendered.
- **Withholding Taxes.** Payment by Panatone will be made after deduction for any applicable Indian withholding tax as described in clause 10(e) below. Sales proceeds that are received within the United States or made through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the shareholder is a corporation or other exempt recipient or (ii) the shareholder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. If the ADS holder is a non-U.S. person or entity not subject to backup withholding, it must give the ADS Tender Agent a completed Form W-8BEN Certificate of Foreign Status prior to the receipt of any payment.

All enquiries and communications relating to tender of ADSs, payment thereof etc. should be directed only to the ADS Tender Agent and not to Panatone, the Manager to the Offer or the Registrar to the Offer.

Option to tender Shares underlying ADS directly:

- **Valid Tender of Equity Shares.** As an alternative to tendering their ADSs through the ADS Tender Agent as described above, ADS holders may also directly tender some or all of the Equity Shares underlying their ADSs to the Registrar to the Offer. In order to validly tender the Equity Shares underlying the ADSs pursuant to the Offer directly through the Registrar to the Offer (rather than tender ADSs through the ADS Tender Agent), an ADS holder must (1)(a) surrender the ADSs to the ADS Depository, (b) pay the cancellation fee as prescribed in the Deposit Agreement and (c) request the ADS Depository to instruct the Custodian to cause to be received by the Registrar to the Offer, no later than 5:00 p.m. Indian standard time, on the Offer Closing Date, the original share certificates evidencing such Equity Shares or a confirmation of a book-entry transfer of such Equity Shares to the Depository Escrow Account at CDSL; and (2) cause to be received by the Registrar to the Offer, no later than 5:00 p.m. Indian standard time, on the Offer Closing Date, a properly completed and duly executed Form of Acceptance-cum-Acknowledgement and, in the case of Equity Shares held in physical form, a duly executed Share Transfer Deed. ADS holders who elect this option should be aware of the fact that the delivery of the underlying Equity Shares to the Registrar to the Offer upon the surrender of ADSs may take up to two business days and it is their responsibility to ensure that such Equity Shares are delivered to the Registrar to the Offer prior to the Offer Closing Date. Other terms of the Offer would apply *mutatis mutandis* to all shareholders, including ADS holders.
 - **Withholding Taxes.** Payment by Panatone will be made after deduction for any applicable Indian withholding tax as described in Paragraph 10(e) below.
 - **Risks Associated with this option.** ADS holders should also be aware, however, that there may be significant disadvantages in using this alternative tender procedure. The ADS Tender Agent would not be involved in this process. An ADS holder that elects to cancel its ADSs and participate directly in the Offer would do so at its own risk and expense. As opposed to holders of ADSs holder of Equity Shares do not have withdrawal rights. In addition, because of restrictions under Indian law, Equity Shares that are (i) not properly tendered, or (ii) not accepted for payment under the Offer cannot be converted back to ADSs. This includes Equity Shares that are not accepted due to the operation of the proration requirements described in paragraph 9(h). Furthermore, under current Indian tax law, gain on the sale of ADSs outside of India to a non-resident of India is not subject to Indian tax whereas gain on the sale of Equity Shares is subject to Indian capital gains tax. ADS holders are urged to consider the negative Indian tax implications of holding Equity Shares rather than ADSs before electing to participate directly in the Offer.
- c) **Unregistered Owners of Equity Shares.** All Eligible Persons can participate in the Offer. Unregistered owners can send their application in writing to the Registrar to the Offer. They are required to submit, besides the documents as mentioned above, other documents to prove their title to the Equity Shares offered for acceptance, such as original brokers contract note, transfer deed(s) executed by the registered holders of the Equity Shares in favour of the proposed transferee in addition to the Form of Acceptance and share certificate(s) and a transfer deed executed by the proposed transferee as transferor. No indemnity is required from unregistered shareholders. Unregistered owners, if they so desire, may also apply on the Form of Acceptance downloaded from SEBI's website (www.sebi.gov.in or www.sebi.com). Notwithstanding that the signature(s) of the transferor(s) have been witnessed as aforesaid, if the signature(s) of the transferor(s) differs from the specimen signature(s) recorded with VSNL or are not in the same order, such Equity Shares are liable to be rejected under this Offer even if the Offer has been accepted by a bona fide owner of such Equity Shares.
- d) **Non-Receipt of the Letter of Offer.** In case of non-receipt of the Letter of Offer, Eligible Persons may send their consent to the Registrar to the Offer, on a plain paper stating the name, address, number of Equity Shares held, distinctive numbers., folio number, number of Equity Shares offered, along with documents as mentioned above, so as to reach the Registrar to the Offer on or before the close of the Offer, i.e. Thursday May 9, 2002. No indemnity is required in this regard.

- e) **Non-Indian shareholders.** Panatone will be required to withhold tax based on the entire gross proceeds payable to tendering non-Indian shareholders unless the Indian tax authorities deliver a No Objection Certificate/Tax Clearance Certificate with respect to payments made to a non-Indian shareholder or ADS holder. If such a Certificate is delivered, withholding will only be required with respect to any gain as described in paragraph 11 below. In the event such No Objection Certificate/Tax Clearance Certificate is not obtained from the Indian tax authorities, Panatone will be required to withhold tax at the maximum marginal rate applicable to the ADS Tender Agent or the category of tendering shareholder, as the case may be, on the gross proceeds otherwise payable rather than on any gain as described in paragraph 11 below.

No assurances can be given that a non-Indian shareholder or ADS holder will be able to obtain a No Objection Certificate/Tax Clearance Certificate from the Indian tax authorities nor, if such Certificate is obtained, what the amount of required withholding indicated on such Certificate will be. As a result, Panatone may be required to withhold at the maximum marginal rate as may be applicable to the ADS Tender Agent or the category of shareholder on the gross proceeds payable to the ADS Tender Agent or such shareholder. Moreover neither Panatone nor the ADS Tender Agent assumes any obligation to assist non-Indian shareholders or ADS holders in obtaining a No Objection Certificate / Tax Clearance Certificate from the Indian tax authorities.

Shareholders (including ADS holders) can claim refunds of excess tax withheld by filing a return of income on Form 1 and Form 2D for corporate and non-corporate assesseees respectively, under Indian Income Tax Act, 1961 before October 31, 2003 and June 30, 2003 for corporates and non-corporates respectively, together with the withholding tax certificate issued by the Acquirer. **No assurances can be given that such a refund will be obtained even if a shareholder or ADS holder is eligible for a refund and Panatone assumes no obligation to assist a shareholder or ADS holder in obtaining any refund.**

- f) **Additional Documents required from Holders of Equity Shares.** Holders of Equity Shares should also provide all relevant documents, which are necessary to ensure transferability of the Equity Shares in respect of which the application is being sent. Such documents may include, but are not limited to:
- duly attested death certificate and succession certificate (in case of single shareholder) if the original shareholder is deceased;
 - duly attested Power of Attorney if any person apart from the shareholder has signed the application form and/or transfer deed(s);
 - no objection certificates from the chargeholder/lender, if the Equity Shares in respect of which the application is sent, are under any charge, lien or encumbrance, provided, however, that Panatone reserves the right to reject such Equity Shares;
 - in case of companies, the necessary corporate authorization (including Board Resolutions) and;
 - any other relevant documentation.

The documents referred to above should be sent to any of the following collection centres:

Address	Tel. No.	Fax No.	Mode of delivery
Mumbai Army & Navy Building, 148, Mahatma Gandhi Road, Fort, Mumbai 400 001 India Contact Person: Mr. S. R. Billimoria	(022) 2873831	(022) 2844160	Registered post &/ or Hand delivery
Bangalore 503, Barton Centre (5 th Floor), 84, Mahatma Gandhi Road, Bangalore 560 001, India Contact Person: Mr. T U Krishnan	(080) 5320321	(080) 5580019	Hand delivery
Jamshedpur Bungalow No. 1, "E" Road, "Northern" Town, Bistupur, Jamshedpur 831 001, India Contact Person: Mr. V Rajagopal	(0657) 426616	(0657) 426937	Hand delivery
Kolkata C/o Tata Finance Ltd., Apeejay House Block – A, 7th Floor, 15, Park Street, Kolkata 700 016, India Contact Person: Mr. Rijit Mukherjee	(033) 217 5904 / 217 5905	(033) 217 5904	Hand delivery
New Delhi 2/42, Sant Vihar, Ansari Road, Daryaganj, New Delhi 110 002, India Contact Person: Mr. Pradeep Sharma	(011) 3271805	(011) 3271802	Hand delivery

Business Hours : Monday to Friday: 10.00 a.m. to 5.00 p.m.

Holidays : Saturdays, Sundays and Indian Bank Holidays

If holders of Equity Shares elect not to deliver their documents by hand, they may send their documents by Registered Post, at their own risk, to the Registrar to the Offer, Tata Share Registry Limited, Army and Navy Building, 148, M.G. Road, Fort, Mumbai 400 001 during business hours indicated above, other than on holidays.

- g) **Payment for Accepted Equity Shares and ADSs.** Payment of consideration for Equity Shares accepted in the Offer will be made by crossed account payee cheques/demand drafts/payorders in Indian rupees and sent by registered post/speed post in case of consideration amount exceeding Rs.1,500 (US\$31) (Under Certificate of Posting otherwise) to those holders of Equity Shares whose share certificates and other documents are found in order and accepted by Panatone. All cheques/demand drafts/payorders will be drawn in the name of the first holder, in case of joint registered holders. Payment of consideration for ADSs accepted in the Offer will be made to the Custodian in Indian rupees. Such amount will be converted by the Custodian into U.S. dollars in accordance with the procedures for the conversion of foreign currency set forth in the Deposit Agreement and be transferred to the ADS Tender Agent. Holders whose ADSs are accepted in the Offer will, in turn, receive payment from the ADS Tender Agent under the ADS Tender Agent's standard procedures for distributing such payments to ADS holders. See Paragraph 10(b).
- h) **Acceptance and Payment Schedule.** Barring unforeseen circumstances and factors beyond their control, Panatone intends to complete all formalities pertaining to the Offer, including despatch of payment of consideration for all Equity Shares and ADSs accepted in the Offer, by Saturday, June 8, 2002.

11. INFORMATION FOR UNITED STATES SHAREHOLDERS

The Offer is made for the securities of an Indian issuer. It may be difficult for a U.S. shareholder to enforce rights and any claim arising under the United States federal securities laws since Panatone and the Persons Acting in Concert are located in a country other than the United States and none of the directors or executive officers is a resident of the United States. A U.S. shareholder may not be able to sue a company outside the United States or its directors or executive officers in a court outside the United States for violations of the U.S. securities laws. It may be difficult to compel a company outside the United States and its affiliates to subject themselves to a U.S. court's judgment.

This Letter of Offer does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made to, nor will tendered shares be accepted from or on behalf of, shareholders in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, Panatone, the Persons Acting in Concert or their agents may, in their sole discretion, take such action as they may deem necessary to extend the Offer in any such jurisdiction.

We will file with the SEC on March 28, 2002 a Tender Offer Statement on Schedule TO, together with exhibits, thereto pursuant to Rule 14d-3 under the U.S. Securities and Exchange Act of 1934 as amended, furnishing certain additional information with respect to the Offer. VSNL expected to file with the SEC on March 28, 2002 a Solicitation/Recommendation Statement of Schedule 14D-9 setting forth the decision of the board of directors of VSNL to take no position with respect to the Offer, as well as certain other information about VSNL, its officers and directors and the Offer. The Schedule TO and Schedule 14D-9 may be examined and copies may be obtained from the offices of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, 233 Broadway, New York, New York 10279; and Midwest Regional Office, 175 W. Jackson Boulevard, Suite 900, Chicago, Illinois 60604. Copies of such material can also be obtained at prescribed rates from the Public Reference Section of the SEC at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549.

INDIAN TAXATION CONSIDERATIONS:

The following are the tax implications in respect of Foreign Currency Convertible Bonds and Ordinary Equity Shares (Through Depository Receipt Mechanism) Scheme, 1993 notified under Section 115AC of the Indian Income-tax Act, 1961 (hereinafter referred to as the ADS) to the non-resident ADS holders consequent to withdrawal of Equity Shares from the ADS deposit facility and to non-Indian shareholders under the India Income-tax law as advised by M/s S.B. Billimoria & Co., Chartered Accountants:

- There is no incidence of tax in India on withdrawal of Equity Shares of VSNL from the ADS deposit facility. The liability to capital gains tax arises only upon acceptance of Equity Shares in the open offer and their transfer.
- The cost of acquisition for the purpose of computing capital gains will be the rate prevailing on Mumbai Stock Exchange or National Stock Exchange on the date of conversion.
- The capital gains would be computed as the difference between the offer price and the cost of acquisition referred to above.
- The Equity Shares accepted in the Offer will be taxed as short-term or long-term gain or loss, depending upon the period for which the Equity Shares so converted have been held i.e. if the Equity Shares have been held for a period of 12 months or less, then the gains shall be taxed as short-term capital gains and the Equity Shares held for a period of more than 12 months shall be taxed as long-term capital gains. In the case of ADS holders participating through the Tender Agent Account, Equity Shares accepted in the Offer will be taxed as short-term gain or loss. Panatone assumes no responsibility for the dates Equity Shares are withdrawn from the ADS deposit facility nor any taxable gain resulting from such withdrawal and subsequent Tender of Equity Shares. In the case of other ADS holders or ADS holders who have previously withdrawn Equity Shares from the ADS Deposit facility, such ADS holder will be considered to have held its Equity Shares from the date of withdrawal.
- The rate of tax as per Section 115AC of the Indian Income-tax Act on long-term capital gains is 10%, plus surcharge, as applicable. However, on short-term capital gains the rate of tax is 30%, for non-corporates and 48% (proposed to be reduced to 40% by Finance Bill, 2002 with effect from April 1, 2002) for corporates, plus surcharge, as applicable. For this purpose, the Depository is the applicable holder with respect to ADS tendered through the Tender Agent's Account.
- Surcharge is currently levied at 2% and nil for non-corporates and corporates respectively on the amount of tax payable. The Finance Bill, 2002 has proposed to increase the surcharge to 5% for both corporates and non-corporates on the amount of tax payable with effect from April 1, 2002.
- Tax will be required to be withheld at the source at the applicable rates as described above or as per the No Objection Certificate / Tax Clearance Certificate obtained from Indian tax authorities.

Shareholders (including ADS holders) can claim refunds of excess tax withheld by filing a return of income on Form 1 and Form 2D for corporate and non-corporate assesseees respectively, under Indian Income Tax Act, 1961 before October 31, 2003 and

June 30, 2003 for corporates and non-corporates respectively, together with the withholding tax certificate issued by Panatone. **No assurances can be given that such a refund will be obtained even if a shareholder or ADS holder is eligible for a refund and Panatone assumes no obligation to assist a shareholder or ADS holder in obtaining any refund.**

- The tax rates will however be modified, dependent on a Double Tax Avoidance Agreement, if any, between India and the jurisdiction of which the shareholder is a tax resident.

Please see Paragraph 9 (k) and 10 (e) for further details.

UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS:

The following summary of certain material U.S. federal income tax considerations relevant to United States shareholders and ADS holders participating in the Offer is based on the advice of Davis, Polk & Wardwell, US legal advisor to Panatone.

A withdrawal of Equity Shares from the ADS Deposit facility is not a taxable event for U.S. federal income tax purposes. As a result, an ADS holder will not recognise gain or loss on such withdrawal, such holder's tax basis in its Equity Shares received on withdrawal will equal its tax basis in its ADSs immediately prior to such withdrawal and such holder's holding period in the Equity Shares received will include its holding period in the ADSs exchanged.

Sales of Equity Shares by shareholders of VSNL pursuant to the Offer will be taxable transactions for federal income tax purposes. If VSNL has never been a passive foreign investment company ("PFIC") during the time in which a shareholder held its Equity Shares or ADSs (including the current taxable year), a shareholder will recognize gain or loss equal to the difference between the tax basis of its Equity Shares tendered and the US dollar value of the rupees received in exchange therefor determined on the date of receipt by the Custodian, in the case of ADS holders participating in the Offer through the Tender Agent Account, or the shareholder or ADS holder, in the case of shareholders or ADS holding participating directly in the Offer (including the amount of any Indian tax withheld from the gross proceeds of such sale). Unless VSNL is or has been a PFIC, this gain or loss will be capital gain or loss if the shares are capital assets in the hands of the shareholder and will be long-term gain or loss if the holding period for the shares is more than one year as of the date of the sale. If the Custodian or shareholder, as the case may be, converts the Indian rupees received into US Dollars on the date of receipt, an ADS holder or shareholder will generally not recognize any foreign currency gain or loss.

If, however, VSNL is a PFIC for its current taxable year or has been a PFIC in any taxable year in which a shareholder held Equity Shares or ADSs, certain adverse U.S. tax consequences would apply to a shareholder upon its sale of Equity Shares pursuant to the Offer (unless the shareholder or ADS holder has in a prior taxable year made a mark-to-market election with respect to its holding of VSNL stock). In particular, gain recognized by a shareholder on the sale of Equity Shares in the Offer would be allocated ratably over the shareholder's holding period for its Equity Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before VSNL became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the tax liability attributable to such allocated amounts.

PFIC status depends upon the composition of VSNL's income and assets and the market value of its assets determined from time to time. Although VSNL has stated in its Annual Report in its most recent Form 20-F that it does not believe that it was a PFIC for the year to which such report relates, there can be no assurances that this determination will be respected by the Internal Revenue Service, nor can there be any assurances regarding VSNL's PFIC status in years prior to such determinations or to the current taxable year. Shareholders are urged to consult their own tax advisors concerning VSNL's PFIC status.

As discussed in Paragraph 10(e) above, India will impose a withholding tax upon the sale of Equity Shares for a gain by non-Indian shareholders pursuant to the Offer. Although gain or loss recognized on such sale will generally be U.S. source gain or loss for federal income tax purposes, a shareholder may elect to treat gain from the sale of its shares as foreign source gain for foreign tax credit purposes. If this election is made, a shareholder will treat any Indian tax withheld as a foreign tax eligible for credit in a foreign tax credit limitation basket separate from other baskets of income. Any Indian withholding tax imposed based on an amount in excess of such shareholder's or ADS holder's gain, if any, may not be eligible for a foreign tax credit for US federal income tax purposes. The rules governing the foreign tax credit are complex. Shareholders are urged to consult their own tax advisors regarding the availability of the foreign tax credit under their particular circumstances and the method for making the election to treat gain as foreign source.

The receipt by a tendering shareholder of shares in the Resulting Company formed in the demerger of VSNL's Surplus Land or receipt of cash attributable to the benefit to VSNL due to failure to effect such demerger (as described in Paragraph 7 above) will likely be treated as foreign source ordinary income for U.S. federal income tax purposes. The amount of such ordinary income will equal the fair market value of the shares in the Resulting Company received by such tendering shareholder determined on the date of distribution or, in the case of cash consideration, the U.S. dollar value of the rupees received.

Sales proceeds that are received within the United States or made through certain U.S.-related financial intermediaries generally are subject to information reporting and to backup withholding unless (i) the shareholder is a corporation or other exempt recipient or (ii) the shareholder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. The amount of any backup withholding from a payment to a shareholder will be allowed as a credit against its United States federal income tax liability and may entitle the shareholder to a refund, provided that the required information is furnished to the Internal Revenue Service.

The foregoing discussion may not apply to shareholders who acquired their Equity Shares or ADSs pursuant to the exercise of stock options or other compensation arrangements with VSNL or who are not citizens or residents of the United States or who are otherwise subject to special tax treatment under the Internal Revenue Code of 1986, as amended.

The federal income tax discussion set forth above is included for general information only and is based upon present law. Due to the individual nature of tax consequences, shareholders are urged to consult their tax advisors as to the specific tax consequences to them of the Offer, including the effects of applicable state, local or other tax laws.

12. SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN U.S. GAAP AND INDIAN GAAP

The summarized financial information included in this Letter of Offer document and the financial statements filed as Exhibits have been prepared in accordance with the requirements of the Indian Companies Act and accounting principles generally accepted in India (collectively "Indian GAAP"), which differ in certain respects from the accounting principles generally accepted in the United States (or "US GAAP").

The following table summarizes significant measurement differences between US GAAP and Indian GAAP insofar as they affect financial information reported in this Letter of Offer.

None of the companies referred to in this Letter of Offer, other than VSNL, has prepared financial statements in accordance with US GAAP. Accordingly, there can be no assurance that the table below is complete, or that the differences described would give rise to the most material differences between Indian GAAP and US GAAP. In addition, none of those companies can presently estimate the net effect of applying US GAAP on their results of operations or financial position.

The effect of such differences may be material for the consolidated net results and shareholders' equity prepared on the basis of US GAAP compared to Indian GAAP.

Various US GAAP and Indian GAAP pronouncements have been issued for which the mandatory application date is later than the reporting dates in this Letter of Offer. These, together with standards that are in the process of being developed in both jurisdictions, could have a significant impact on future comparisons between US GAAP and Indian GAAP.

	Subject	Indian GAAP	US GAAP
1.	Consolidation and investments in subsidiaries	<p>In India, the reporting entity generally follows legal form, and under the Companies Act is considered to be the legal entity rather than a group.</p> <p>Accordingly, there is no legal requirement to prepare consolidated financial statements. Investments in subsidiaries are accounted for at cost less an allowance for permanent impairments. Current investments are carried at the lower of cost and fair value.</p> <p>The Institute of Chartered Accountants of India ('ICAI') has issued Accounting Standard ('AS') 21 on "Consolidated Financial Statements", which is applicable for accounting years commencing April 1, 2001. AS 21 does not require consolidation, but sets out the standards to be followed in the event that consolidated financial statements are presented or required by law or regulation. SEBI requires listed companies and those seeking a listing to publish consolidated financial statements in accordance with AS 21 <i>in addition</i> to the separate financial statements of the parent.</p> <p>Unlisted companies will continue to have the option of not presenting consolidated financial statements.</p>	<p>Under US GAAP, there is a presumption that consolidated financial statements present more meaningful financial information for a parent and subsidiaries than separate financial statements of the parent.</p> <p>Accordingly, consolidation is required for entities where the parent has majority financial control, generally when it controls more than 50% of the outstanding voting stock, except when control is likely to be temporary or is impaired. Separate financial statements of the parent only are not presented.</p> <p>Entities where the minority shareholder has substantive participating rights overcome the presumption that the majority shareholder controls the entity thus precluding consolidation of the results of that entity. In such cases, the equity method of accounting applies.</p> <p>Entities where the minority shareholder has protective rights only are consolidated.</p>
2.	Investments in associates or affiliates	<p>There is no requirement to adopt the equity method of accounting. Investments in associates are accounted for in the same manner as other investments.</p> <p>The ICAI has issued AS 23 on "Accounting for Investments in Associates in Consolidated Financial Statements" which becomes effective for accounting periods commencing April 1, 2002. AS 23 requires the equity method of accounting for investments in associates in consolidated financial statements.</p> <p>Unlisted companies that do not prepare consolidated financial statements could continue to report investments as before.</p>	<p>Investments over which the investor can exert significant influence, generally presumed when the investor owns between 20% and 50% of the voting stock, are required to be accounted for using the equity method.</p> <p>The equity method requires investors to record their investment in the associate as a one-line asset and reflect their share of the investee's net income/loss in their earnings. Dividends received reduce the investment account.</p> <p>This method is also followed for unconsolidated subsidiaries.</p>

3.	Interests in joint ventures	<p>There is no specific guidance in Indian GAAP for reporting interests in joint ventures. Accordingly, investments in joint ventures are accounted for in the same manner as other investments.</p> <p>The ICAI has issued AS 27, Financial Reporting of Interests in Joint Ventures which is effective for years beginning on April 1, 2002, which requires interests in jointly controlled operations of a venturer to be recognized in its separate and consolidated financial statements on a proportionate consolidation basis.</p>	<p>A joint venture is treated as either a subsidiary or an affiliate, depending on the level of control of the joint venturer, and either consolidated or accounted for using the equity method, respectively.</p>
4.	Business combinations	<p>AS 14 on "Accounting for Amalgamations" deals with accounting for amalgamations and the treatment of any resultant goodwill. The standard, however, does not deal with cases of acquisitions where there is a purchase by one company of shares or assets of another company.</p> <p>Acquisitions of shares or another company are reported at their cost in the same manner as other investments. Acquisitions of assets are reported at cost in the same manner as similar owned assets.</p>	<p>Business combinations that were completed prior to June 30, 2001 are accounted in accordance with Accounting Principles Board ('APB') Opinion No. 16, Business Combinations.</p> <p>APB 16 specifies criteria for the use of the pooling of interest method, which must all be met to apply this method. Purchase accounting is required to be followed in all situations where the pooling-of-interests criteria are not met.</p> <p>Under a pooling, the respective historic basis of assets and liabilities of the combining entities continue unchanged, and the results of operations are combined from the start of the earliest year presented, as though the entities were always combined.</p> <p>Under purchase accounting, the consideration is measured at fair value, the purchase price allocated to the fair values of the net assets acquired including intangibles, and goodwill recognized for the difference between the consideration paid and the fair value of the net assets acquired.</p> <p>Combinations of entities under common control or common ownership are accounted for at historical cost in a manner similar to that of pooling of interest accounting.</p> <p>Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001 and for purchase transactions initiated before but completed after July 1, 2001. SFAS No. 141 requires intangible assets to be recognized if they arise from contractual or legal rights or are "separable", i.e., it is feasible that they may be sold, transferred, licensed, rented, exchanged or pledged.</p>
5.	Goodwill	<p>Goodwill arising on amalgamation is amortised to income on a systematic basis over its useful life, not exceeding five years unless a longer period can be justified. The amount of goodwill recognized is the difference between the consideration paid and the book value of the net assets acquired. Negative goodwill is credited to a capital reserve.</p> <p>Goodwill arising on the acquisition of shares of a company is generally not separately recognized, but is included in the cost of the investment.</p> <p>For companies that prepare consolidated financial statements, goodwill arising on consolidation is recognized upon consolidation. Such goodwill is not amortized.</p>	<p>APB Opinion No. 16 requires goodwill to be capitalised and amortized for purchase method acquisitions as the excess of the purchase price over the fair value of the net assets acquired. Goodwill must be amortized over its useful life, which may not exceed 40 years, but is generally shorter.</p> <p>Negative goodwill is allocated as a <i>pro rata</i> reduction of long term assets, and if these are insufficient, the remainder is deferred and amortised systematically to income over the period of benefit.</p> <p>Under SFAS No. 142, effective for fiscal years beginning after December 15, 2001, goodwill</p>

			<p>arising on new acquisitions and any unamortized balance for prior acquisitions will no longer be subject to amortization. Instead, such goodwill will be tested for impairment on an annual basis or whenever triggers indicating impairment arise. The impairment test is based on estimates of fair value at a reporting unit level.</p>
6.	Borrowing costs and interest capitalized	<p>With effect from periods beginning after April 1, 2000, borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as a cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.</p>	<p>Interest cost is capitalised as part of the cost of an asset that is constructed or produced for an enterprise's own use. The capitalisation period begins when activities to ready the asset for use commence, and ends when the asset is ready for use. The capitalised interest is expensed over the estimated useful life of the asset as part of the depreciation charge.</p>
7.	Issuance and redemption costs for borrowings	<p>Debt issuance costs may be amortized, charged as an expense or charged to the Share Premium Account. In practice, such costs are generally charged to the Share Premium Account.</p> <p>Redemption premiums payable on the redemption of debt may be accrued over the life of the debt or recognized in the period in which the redemption occurs.</p>	<p>Debt issuance costs are treated as a deferred charge and amortised using the effective interest rate method over the life of the debt. Redemption premiums are accrued as a yield adjustment over the life of the debt.</p>
8.	Leases	<p>For lessees, there is no distinction made between operating and finance leases, and all leases are treated as operating. The lease payment is recognized as an expense in the period incurred.</p> <p>AS 19 on "Leases" recently issued becomes effective in respect of all assets leased during accounting periods commencing on April 1, 2001.</p> <p>According to AS 19, leases are classified into finance leases or operating leases based on the extent to which risks and rewards incidental to ownership of the asset lie with the lessor or the lessee.</p> <p>For finance leases, leased assets are capitalised and a corresponding liability of same amount to lessor is recorded.</p> <p>For operating leases, lease payments are recognised as an expense over the lease term.</p>	<p>US GAAP provides specific quantitative criteria in order to determine whether a lease is a capital (finance) or an operating lease.</p> <p>If any one of the following four criteria applies to a lease agreement, then the lease must be classified as capital by the lessee</p> <ul style="list-style-type: none"> ● The lease transfers ownership of the leased assets to the lessee at the end of the lease term. ● The lease contains a bargain purchase option. ● The lease term is greater than or equal to 75% of the economic useful life of the leased asset. ● The present value of the minimum lease payments is greater than or equal to 90% of the fair value of the leased asset. <p>A capital lease is accounted for by the lessee as the acquisition of an asset and the incurrence of a liability.</p> <p>Operating lease payments are generally recognised on a straight-line basis over the term of the lease.</p>
9.	Asset revaluation and impairment	<p>An increase in net book value arising on revaluation of fixed assets is normally credited directly to equity under the heading of revaluation reserves and is not available for distribution until realized.</p> <p>A decrease in net book value arising on revaluation of fixed assets is expensed except that, to the extent that such a decrease relates to a previous increase on revaluation it may be charged against that earlier increase.</p> <p>Where depreciable assets are revalued, the depreciation expense is based on the revalued amount and on the remaining useful lives of such assets.</p>	<p>No upward revaluation of any class of fixed assets is permitted.</p> <p>Whenever events or changes in circumstances indicate that the carrying amounts of long lived assets may not be recoverable, companies are required to compare undiscounted net cash flows estimated to be generated by those assets with the carrying amount of those assets. If the undiscounted cash flows are less than the carrying amounts of the assets, companies are required to record impairment losses to write the asset down to fair value.</p>

		<p>There is no specific guidance on impairments of assets, other than for abandoned plant. The ICAI currently is considering an exposure draft on accounting for impairments.</p>	
10.	Investments in securities	<p>Investments are classified as long-term or current.</p> <p>Current investments are readily realisable, not intended to be held for more than one year from the date of purchase and are carried at the lower of cost or fair market value. Unrealised losses are charged to the income statement; unrealised gains are not recorded.</p> <p>A long-term investment is an investment other than a current investment and is valued at cost, subject to a write-down for impairment on permanent diminution in value.</p>	<p>Investments in marketable equity and all debt securities are classified according to management's holding intent, into one of the following categories: trading, available for sale, or held to maturity.</p> <p>Trading securities are marked to fair value, with the resulting unrealised gain or loss recognised currently in the income statement.</p> <p>Available-for-sale securities are marked to fair value, with the resulting unrealised gain or loss recorded directly in a separate component of equity until realised, at which time the gain or loss is reported in income.</p> <p>Held-to-maturity debt securities are carried at amortised cost.</p> <p>Other than temporary impairments in the value of HTM and AFS investments are accounted for as realised losses.</p>
11.	Foreign exchange	<p>Transactions in foreign currency are recorded at the exchange rate prevailing on the date of the transaction. Monetary items are restated at year-end exchange rates. Exchange differences arising on transactions and translation of monetary items are recognised as income or expense in the year in which they arise, except in respect of liabilities for the acquisition of fixed assets, where such exchange difference is adjusted in the carrying cost of the fixed assets.</p> <p>No guidance exists for the translation of the financial statements of foreign subsidiaries for the purposes of consolidation. Guidance relating to translation of foreign branches requires foreign exchange gains or losses to be recognized in the income statement.</p>	<p>Under US GAAP gains or losses arising from foreign currency transactions are included in determining net income.</p> <p>For the purposes of consolidating a foreign subsidiary, the financial statements are translated into the parent's reporting currency. Assets and liabilities are translated using the balance sheet rate of exchange. Amounts in the income statements are translated using the weighted average rate for the period.</p> <p>Translation differences that arise are reported in a separate component of shareholders' equity.</p>
12.	Deferred taxation	<p>There is no mandatory requirement to account for deferred taxes in the financial statements.</p> <p>AS 22 on "Accounting for Taxes on Income" was recently issued and is mandatory for accounting periods commencing on April 1, 2001 for all companies with listed debt or equity securities and for all enterprises in a group if the parent presents consolidated financial statements.</p> <p>AS 22 requires deferred taxes to be provided for the tax effect of timing differences between taxable income and accounting income.</p> <p>Deferred tax assets arising due to unabsorbed depreciation or carry forward of losses are recognised only to the extent that there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.</p> <p>Other deferred tax assets are recognised and carried forward only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.</p>	<p>Deferred tax liabilities and assets are recorded for the tax effect of all temporary differences between the tax and book bases of assets and liabilities and operating loss carry-forwards, at currently enacted tax rates. Changes in tax rates are reported in the income statement in the period of enactment.</p> <p>A valuation allowance is made against deferred taxes if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realised.</p>

13.	Deferred revenue expenditure	<p>Deferred revenue expenditure includes revenue expenses that benefit more than one period. Such expenses are deferred and amortized over the expected period of benefit.</p> <p>Deferred revenue expenditure includes items such as pre-operative expenses, advertising costs, product development costs and the cost of voluntary terminations.</p> <p>Expenditure incurred from the date of incorporation to the date of commencement of commercial operations not directly attributable to fixed assets is treated as deferred revenue expenditure.</p> <p>Expenditure incurred from the date of incorporation to the date of commencement of commercial operations and directly attributable to fixed assets, is capitalised as part of the cost of the respective asset.</p>	<p>Costs in respect of any start up are expensed as incurred.</p> <p>Costs for advertising and product development are expensed as incurred.</p> <p>The cost of voluntary retirement schemes is expensed in the period in which employees accept the terms of the plan.</p>
14.	Vacation accrual	<p>Vacation accrual, or leave encashment, is viewed as a retirement entitlement and is generally reported at the actuarially determined present value of future benefits.</p>	<p>Vacation earned but not taken is reported as a liability based on the number of days entitlement, priced at the balance sheet salary rate.</p>
15.	Retirement benefits	<p>The liability for defined benefit retirement plans is reported at an actuarial valuation. Several alternative methodologies are considered acceptable for the purposes of the valuation, and the actuary has latitude in selecting assumptions to be used.</p>	<p>The liability for defined benefit retirement plans is reported at the present value of future benefits using the projected unit cost method, with a stipulated method to determine assumptions.</p>
16.	Depreciation	<p>Depreciation is generally charged at rates prescribed by the Companies Act.</p>	<p>Depreciation is provided in a systematic and rational manner over the useful economic life of the assets.</p>
17.	Specialized accounting	<p>Indian GAAP prescribes specialized accounting for life insurance and general insurance companies.</p> <p>There is no specific guidance relating to accounting for minerals and mines.</p> <p>Power utilities and independent generators prepare financial statements according to the requirements of the Electricity Supply Act and relevant accounting standards.</p>	<p>US GAAP has specialized accounting principles for life insurance and general insurance companies which differ from those in India, principally with regard to accounting for premiums, insurance liabilities, investments and reinsurance.</p> <p>Specialized accounting principles exist for the recognition of costs relating to mining rights and mine development expenses.</p> <p>Regulated enterprises, where the entity is subject to a ratemaking process, are required to use specialized accounting principles for the measurement of revenues and expenses, plant cost, depreciation and abandonment.</p>
18.	Revenue recognition	<p>Software services and other long term contract services revenues for fixed price contracts may be recognized using either the percentage of completion method or the completed contract method; the completed contract method defers revenue and related costs for incomplete contracts to the following period.</p>	<p>Software services and other long term contract services revenues for fixed price contracts are generally recognized using the percentage of completion method, unless the completed contract method produces results that are not materially different or the estimation process is unreliable.</p>

13. DOCUMENTS FOR INSPECTION

The following documents will be available for inspection to the shareholders of VSNL at the registered office of Panatone, whose address is given on the cover page of this document, between 10 a.m. and 5 p.m. on all working days in India except Saturdays till the Offer Closing Date (i.e. Thursday, May 9, 2002):

1. Certificate of Incorporation, Memorandum and Articles of Association of Panatone, Tata Sons, Tata Power, Tata Steel and Tata Industries.
2. Certificate of Incorporation, Memorandum and Articles of Association of VSNL.
3. Certificate dated March 18, 2002 by Deutsche Bank AG, Mumbai, regarding the adequacy of financial resources with Panatone to fulfill the Offer obligations.
4. Audited accounts of VSNL for the accounting years ended March 31, 1999, 2000, 2001 and unaudited accounts for the nine month period ended December 31, 2001.
5. Audited accounts of Panatone for the financial years 1999, 2000, 2001 and unaudited accounts for the interim period.
6. Escrow Agreement entered between Panatone, Citibank N.A. and JM Morgan Stanley Private Limited granting the lien over the 1% cash deposit in the Escrow Account in favour of the Manager to the Offer to enable them to withdraw the funds at any time till all the obligations of Panatone / Persons Acting in Concert under the Regulations are complied with.
7. Copy of Bank Guarantee No. 34618 dated February 8, 2002 for Rs. 130,14,00,000 issued by Citibank NA favouring the Manager to the Offer.
8. Copy of the Board Resolution of Panatone dated January 30, 2002 to acquire Equity Shares in VSNL.
9. Copy of the Board Resolution of Panatone dated January 30, 2002 authorising the Offer.
10. Copy of Board Resolution from Panatone, Tata Sons, Tata Power, Tata Steel and Tata Industries authorising Mr. K.A. Chaukar to be signatory to the Letter of Offer.
11. Copies of letters dated March 13, 2002 (Ref. No. FITTC/TO/AS/4087/02) and March 23, 2002 (Ref. No. FITTC/TO/AS/4869/02) received from SEBI, in terms of proviso to Regulation 18(2).
12. Copy of Public Announcement made on February 12, 2002 by Panatone for acquiring up to 57,000,000 fully paid-up Equity Shares. Copy of the corrigendum Public Announcement made on March 22, 2002 by Panatone.
13. Letters from the Stock Exchanges containing the share price and volume data.
14. Share Purchase Agreement dated February 6, 2002 between Panatone, Tata Sons, Tata Power, Tata Steel, Tata Industries and Government of India and VSNL.
15. Shareholders' Agreement dated February 13, 2002 between Panatone, Tata Sons, Tata Power, Tata Steel, Tata Industries and the Government of India.

14. RESPONSIBILITY STATEMENT

Panatone and the Persons Acting in Concert accept full responsibility for the information contained in this Letter of Offer and Form of Acceptance. Panatone and the Persons Acting in Concert shall be jointly and severally responsible for ensuring compliance with the Regulations. All information contained in this document is as on the date of the Public Announcement, unless stated otherwise. Mr. K.A. Chaukar has been authorised by the Board of Directors of Panatone, Tata Sons, Tata Power, Tata Steel and Tata Industries to be the authorised signatory to the Letter of Offer.

By the Order of the Board,

For

Panatone Finvest Limited
Tata Sons Limited
The Tata Power Company Limited
The Tata Iron and Steel Company Limited
Tata Industries Limited

sd/-

Authorised Signatory

Place : Mumbai
Date : March 27, 2002