VSNL is one of the largest telecom companies of India with service offerings in the voice and data domain.

**Background**

Videsh Sanchar Nigam Limited (VSNL) was incorporated in the 1986 as a Government of India (GoI) company, to provide international telecommunication services in India by assuming management control of the services of Overseas Communication Services, a Department of the Ministry of Communications. The company operates a network of earth stations, switches, submarine cable systems, and value added service nodes to provide a range of basic and value added telecom services.

In August 2000, the company made history by becoming the first Indian public sector company to list on any stock exchange in USA, by trading its American Depository Receipts on the New York Stock Exchange. In February 2002, the GoI, which had 52.97 per cent stake in the company, sold off 26 per cent of the stake, as per its disinvestment plans. This stake was bought by the Tata Group along with the right to manage the company. Consequently, VSNL was taken under the administrative control of the Tata group.

Today VSNL remains India’s largest player in international long distance (ILD). The company has also re-engineered its business model after significant acquisitions—the submarine cable assets of Tyco for $130 million and Teleglobe International Holdings for $239 million—in the span of the last 12 months. It has set up a 3,175 kilometre undersea cable between India and Singapore with a design capacity of 5.12 Tera bits. With an estimated life of 25 years the new cable significantly enhances India’s connectivity to the Asia-Pacific region and the US via the Pacific. VSNL has entered into strategic tie-ups to broaden its product range. One such tie-up is with the Paris-based Thomson Group to explore new opportunities in the development of end-to-end solutions for network operators such as optimised satellite transmission as well as content management and distribution solutions like digital cinema. Another tie-up exists with Cable & Wireless (C&W) to provide enhanced global connectivity services to Indian corporate customers in the IT-enabled services segment. With this tie-up, corporate customers like financial institutions, IT companies and BPO service providers could access C&W’s global network through VSNL’s domestic and international access infrastructure.

The Tata Group through its investing vehicle M/s Panatone Finvest Limited holds the majority stake in VSNL (around 45 per cent stake). The next
largest shareholder is the GoI (approximately 26 per cent equity). The balance is held by foreign institutional investors. Overseas corporate bodies, Indian public, banks and others.

**Products and services**

VSNL offers a range of telecommunication services. Its products/services are cater to broadly three segments—wholesale, enterprise and retail. Its retail services include dialup internet access, global roaming on internet account, broadband access, wireless fidelity services, net telephony, and calling cards. Enterprise business services include international private leased circuit (IPLC), internet leased line (ILL), bandwidth on demand, managed data network service (MDNS), virtual private network service (VPNS), internet data centres, videoconferencing, net telephony, corporate dial-up solutions and national long distance (NLD) leased line.

Since VSNL had no direct access to provide voice services to its end customers, it decided to invest in Tata Teleservices Limited, a Tata group company that held basic licenses for several Indian states. The company is now rapidly growing its retail and corporate presence under the brand Tata Indicom.

**Financial analysis**

VSNL’s revenues, which were US$ 1.6 billion in 1999, have fallen over the years. Earlier, the company was the sole provider of ILD services to and from India and as a result ILD business was the principal business and contributed more than 90 per cent to its revenues in the year 2002. However, the monopoly of the company was terminated in the year 2002 (two years ahead of schedule) by the GoI. The termination of the monopoly and the entry of private players like Bharti and Reliance caused the market share of the company, which stood at more than 90 per cent in 2002 to come down to 50 per cent in 2005. Further due to the fierce competition from the private players to garner larger market share, the overall ILD rates have also come down substantially since 2002. As a result of falling market share and ILD rates (as well as the retention rates), the revenues from the ILD business have come down. Thereafter the company embarked on a new journey and re-engineered its business model through overseas acquisitions, introducing new products and services, tapping new market segments and attaining global scale.

Sales have improved in 2005 as the company’s data business, which accounts for nearly 40 per cent of sales has grown and now services more than 1000 clients. Services like IPLC, VPNS and MDNS have been driven by demand from the ITES sector. The company has established a separate business unit called TIEBU (Tata Indicom Enterprise Business Enterprise Unit) to cater to the corporate sector.

**VSNL’s contribution in making “Made in India” global**

VSNL's international operations are carried out through its global operating division VSNL International. This division has offices in the US (Virginia, New Jersey), Europe (London, Paris, Madrid, Amsterdam, Frankfurt), Singapore and India. It provides customised and scalable connectivity solutions for the key global business hubs of North America, Europe and Asia. It has already set up operations in Sri Lanka, Nepal, Singapore, Hong Kong, UK and USA and is soon entering South Africa. These operations are carried out through its subsidiaries in these countries.

**VSNL Lanka Limited**

Incorporated in 2003 as a wholly owned subsidiary of VSNL, VSNL Lanka has an External Gateway Operator (EGO) licence, which allows it to offer ILD voice and data services as well as internet services.
**United Telecom Limited**

This joint venture formed with Mahanagar Telephone Nigam Limited (MTNL), Telecommunications Consultants India Limited (TCIL) and Nepal Ventures Private Limited (NVPL), offers code division multiple access (CDMA) based basic services, ILD services as well as national long distance (NLD) services in Nepal. VSNL has 26.66 per cent equity in this consortium.

**VSNL America Inc.**

VSNL America was formed in 2003 as a wholly owned subsidiary in the US, to provide Internet Protocol – Virtual Private Network (IP-VPN) solutions. This venture allows end-to-end management of VSNL's internet bandwidth from India all the way to the US.

**VSNL UK Limited**

VSNL UK, a subsidiary of VSNL America, was formed in July 2003 to provide telecom and value added services in the UK and other European markets. It is focused on providing services to European telecom carriers seeking Indian termination service for which it has interconnected with a number of leading regional and alternative telecom operators across Europe to terminate their India-bound traffic.

**VSNL Singapore Pte. Ltd.**

VSNL Singapore was set up in January 2004 as a wholly owned subsidiary. VSPL owns and maintains the landing station for the undersea cable that VSNL has set up between India and Singapore. It also acquires and sells other cable capacity through the Asia Pacific region and serves as the headquarters for VSNL’s international operations.

VSNL has also made strategic acquisitions to expand its global operations and emerge as India's first truly global telecom company. These acquisitions confirm its position as a leading global service provider and include

**Teleglobe International Holdings Limited:**

In February 2006, VSNL acquired the Bermuda-based Teleglobe International Holdings Limited, a leading provider of wholesale voice, data, IP and mobile signalling services. This acquisition, valued at US$ 239 million, has made VSNL the world's largest player in wholesale voice carrying 17 billion minutes of voice traffic annually. This acquisition is expected to add US$ 1 billion in revenues to VSNL, and transformed the business model of the company. Now VSNL’s revenues will not only come from India centric calls, but also cross-country calls, and over 50% of the company's revenues are expected to come from global operations underlining the global character of the company's business.

The VSNL-Teleglobe combine offers seamless connectivity across carriers and enterprises through 2,06,356 kilometres of terrestrial fibre subsea cable, 275 PoPs in 25 countries and 5 geostationary satellites. It owns over 100 sub-sea cable and terrestrial systems, including the full ownership of Tata Indicom Cable linking Singapore and Chennai and partial ownership in another SEA-ME-WE4 network. VSNL has bagged the prestigious role of network administrator in SEA-ME-WE4, the first by an Indian company in an international subsea cable consortium.

**Tyco Global Network:** VSNL has recently completed the acquisition of Tyco Global Network, the owner of an undersea submarine cable network that spans 60,000 kilometres and the continents of North America, Europe and Asia. With this acquisition, valued at US$ 130 million, VSNL has become one of the world's largest providers of submarine cable bandwidth. This acquisition is a major step in VSNL's ongoing drive to offer global connectivity and efficient communications solutions for its customers.
Given VSNL’s global standing, the South African government has selected it as a strategic investor in the liberalisation of its telecom sector by making it the largest shareholder (26 per cent equity stake) in the country’s national operator, SNO Telecommunications Pty Limited. VSNL will provide all services including domestic and international voice and data services, except mobile services in the telecom market of South Africa. The operations in South Africa are scheduled to commence in a phased manner.

Factors fuelling VSNL’s global initiatives

Over the last few years, the international telephony market has witnessed increased competition, falling rates and lower margins. Simultaneously, the growth and deregulation of the domestic telecom sector has opened up large new opportunities for the company to diversify and grow while leveraging its telecom expertise. Given this domestic and international scenario, VSNL’s strategy has been to diversify and de-risk its business model by growing high-potential newer businesses like enterprise data and broadband services as well as expanding into overseas markets that are deregulating or opening up, through greenfield ventures or acquisitions.

The global initiatives have been backed by strategic expansions of its already excellent infrastructure network. The company has also continuously endeavoured to raise efficiency and customer satisfaction through internal initiatives such as quality. The company is the first telecom service provider in the world to get the prestigious TL 9000 certification, a telecom sector specific quality management system.

Future plans

VSNL, whose only business was voice business a few years back, is fast shifting to value-added data services. It has forayed into the retail broadband arena where subscribers are estimated to touch 20 million by 2010. For this the company is now rolling out the infrastructure that will permit it to extend a range of information, entertainment, education and telecom services. It is also investing in building a local, Metropolitan Area Network (MAN) in key cities. Data business is expected to be the growth driver for VSNL in the coming years. With India becoming one of the major outsourcing destinations, bandwidth as well as security would be the prime consideration for data business, where VSNL would have an edge.

The international acquisitions will enable the company to tap clients globally. It would help to sell international bandwidth on a wholesale basis to corporates as well as other international telecom service providers, selling value-added services globally and save leasing costs for its own ILD business, where-in VSNL will stop leasing cable capacity from others for its own requirements.

Globalisation at a glance

- Subsidiaries in Sri Lanka, Nepal, Singapore, Hong Kong, UK and USA to carry out operations in these countries
- Strategic acquisitions made in the last couple of years - Teleglobe International Holdings Limited, a leading provider of wholesale voice, data, IP and mobile signaling services and of Tyco Global Network, the owner of an undersea submarine cable network across the continents of North America, Europe and Asia
- Invited by the South African government to invest in the country’s second national operator to provide voice and data services

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